Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Value for Canadians

Financial Consumer Agency of Canada

Annual Report 2005–2006

Protecting Consumers | *Informing Canadians*

Canada

FCAC offers information through a variety of formats, including its Web site and interactive tools, and its print publications.

Contact information

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Financial Consumer Agency of Canada: Value for Canadians

Our mandate

- Created by the *Financial Consumer Agency of Canada Act* in October 2001, the Financial Consumer Agency of Canada (FCAC) is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities.

Our Commissioner

- William G. Knight was appointed for a five-year term on the creation of FCAC in October 2001.

Our place in government

- FCAC is a federal agency that reports to Parliament through the Minister of Finance.

Our expenses

- For 2005–06, FCAC's expenses totalled $7.3 million. The Agency's expenses are funded by annual direct assessments of federally regulated financial institutions. Canada's large banks are responsible for most of the budgetary assessments.

2005–06 highlights

- We received 766,426 visits to our Web site—an average of over 2,000 visits per day.
- We distributed more than 494,000 publications to Canadians on-line, by mail and in person.
- We answered 39,818 telephone calls, e-mails and letters from Canadians on a wide range of financial issues.
- We met and spoke with approximately 10,000 Canadians across the country about FCAC's work to inform and protect consumers.
- We closed 1,385 cases related to compliance matters with respect to consumer provisions, codes of conduct or public commitments, and the submission of required filings.

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Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Enterprise Building, 6th Floor
427 Laurier Avenue West
Ottawa, Ontario K1R 1B9

September 22, 2006

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
House of Commons
Ottawa, Ontario K1A 0M6

Dear Minister:

I am pleased to submit to you the annual report of the Financial Consumer Agency of Canada for the period from April 1, 2005, to March 31, 2006, its fourth full year of operation.

Yours truly,

William G. Knight
Commissioner

Letter from the Commissioner

With a clear mandate to protect and inform financial consumers, and the tools to carry out our work, the Financial Consumer Agency of Canada has built a solid foundation and is well established as a market conduct regulator. I would like to take this opportunity to provide you with highlights from our work this past year.

Through our outreach and education efforts, we have helped tens of thousands of Canadians better understand the financial marketplace as they make important decisions on banking, mortgages, credit cards and other common issues. Similarly, in our role as regulator we have made a real impact in the marketplace by taking action to improve compliance with consumer protection laws, voluntary codes of conduct and public commitments. As a result of the Agency's work in this area, hundreds of thousands of consumers have benefited directly from system-wide changes, including enhanced clarity in disclosure documents concerning mortgage prepayment penalties and improved access to basic banking services.

We have also continued to work with and learn from our international colleagues through the International Forum on Financial Consumer Protection and Education. The forum was initiated by the Financial Consumer Agency of Canada in 2003; it met this year in Malaysia to share best practices and common concerns in the field of financial consumer protection and education. Since its creation, participation in the forum has continued to expand. At its most recent meeting, the forum included more than 50 representatives from 35 countries.

Following are a few examples of the projects we have undertaken and what we have achieved in 2005–06.

- We created an on-line interactive tool that helps consumers compare credit cards and select cards suited to their needs and banking habits.

As a result of the Agency's work, hundreds of thousands of consumers have benefited directly from system-wide changes, including enhanced clarity in disclosure documents concerning mortgage prepayment penalties and improved access to basic banking services.

- We launched a new Frequently Asked Questions tool on our Web site. Canadians can use it to find answers to commonly asked questions on a wide range of financial issues.
- We established new partnerships with government and non-governmental organizations, and maintained existing ones. These help us extend our reach in communities across Canada.
- We revised our approach to processing compliance cases, to make our work more responsive and cost-effective.
- We enhanced compliance with the *Access to Basic Banking Services Regulations* by requiring banks to prepare and implement action plans for improvement.
- Together with the industry, we worked toward improving cost of borrowing disclosure to all borrowers and agreed on an industry-wide solution concerning disclosure for multiple borrowers.

Facing an increasingly complex financial marketplace, more and more Canadians are turning to the Financial Consumer Agency of Canada every year for relevant and impartial information. In 2005–06, consumer contacts with the Agency increased by 38 percent over the previous year. Nearly 40,000 Canadians contacted us last year, up from 29,000 in 2004–05.

I am particularly proud of our Web site, which has attracted over 1.6 million visits since we opened our doors. In 2005–06 we saw a 67 percent increase in visits to the site: there were over 760,000 visits in the year, or an average of more than 2,000 visits per day. We are very pleased with these results. We will continue making the Web site easier to navigate and will work on developing more interactive tools.

To reach consumers with lower levels of literacy, the Agency has a twofold approach: create accessible, plain-language information; and put that information into the hands of consumers who need it most.

While our Web site is popular with many Canadians, our material must also be available to those who perhaps need our services most—those with lower levels of literacy. According to Statistics Canada, 42 percent of Canadians read at or below an elementary school level. If people have difficulty understanding the documents they receive, a key component of our consumer protection regime is jeopardized.

To reach these consumers, the Agency has a twofold approach: create accessible, plain-language information; and put that information into the hands of consumers who need it most. Members of our staff continue to develop in-house expertise in the area of plain language, and we draw on these skills when creating our consumer education materials. We also ask plain-language experts to revise the content of our work so that it is clear and understandable. To deliver our materials to consumers, the Agency joins with a variety of organizations that work with vulnerable Canadians, such as the YMCA of Greater Toronto and Option consommateurs, as well as with other federal government departments and agencies.

In addition to clear information, consumers must receive complete disclosure about the financial products and services they obtain. In 2005–06 I made a decision that, in accordance with the *Cost of Borrowing Regulations*, full disclosure must be provided to all borrowers, including co-borrowers. Previously co-borrowers or co-signers did not always receive the same information as the primary borrower, even though their credit rating is equally affected. This move to full disclosure for all borrowers is a significant shift for the industry. We are working with the banks to develop and implement action plans for putting into place the systems needed to provide this level of disclosure.

To protect vulnerable consumers, our Compliance and Enforcement Branch focused on ensuring access for Canadians to basic banking services, as outlined in the applicable regulations. We concentrated our mystery shopping activities in this area, allowing us to gauge how well the banks were complying with their obligations. The Agency has subsequently worked with the industry to develop action plans for addressing concerns raised during the mystery shopping exercise. The plans will be finalized in 2006–07.

During the year, one of the groups with which the Financial Consumer Agency of Canada worked was Social and Enterprise Development Innovations (SEDI), a non-governmental organization working to alleviate poverty. With SEDI, we began to explore some of the issues that affect Canadians' ability to make informed financial decisions. We gave particular attention to "financial capability," which is defined as an understanding of basic finances combined with the ability to apply that knowledge in order to make sound financial decisions.

In partnership with SEDI and the federal government's Policy Research Initiative, we co-hosted "Canadians and Their Money: A National Symposium on Financial Capability," held in Ottawa in June 2005. The event brought together more than 150 government and private-sector experts and community representatives from Canada, the United States and Europe to examine issues associated with financial capability.

I am convinced that financial capability is necessary for all citizens who want to participate fully in Canadian society. The number of Canadians using payday loans underscores the importance of enhancing Canadians' financial capability. In 2004–05 we developed a comprehensive brochure outlining the high costs of payday loans and listing other options. In 2005–06 we updated the brochure and promoted it through various outreach activities.

We will carry on with existing initiatives and will launch new projects, including:

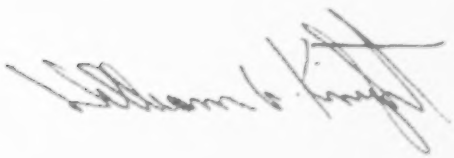
- working with credit card associations to finalize a model credit card application in plain language;
- revising and launching a new version of the "For Consumers" section of our Web site;

I am convinced that financial capability is necessary for all citizens who want to participate fully in Canadian society.

- conducting a survey to assess consumers' knowledge and behaviour on a variety of topics related to financial products and services; and
- issuing a consultation paper on the debit card code for stakeholders, to find ways for the Agency to improve its monitoring activities in relation to the Canadian Code of Practice for Consumer Debit Card Services.

As we reflect on the year that has passed and look forward to the challenges ahead, I wish to thank sector partners, stakeholders and federally regulated financial institutions for their ongoing cooperation and responsiveness.

I especially would like to thank my staff for their hard work and dedication.



William G. Knight, Commissioner
Financial Consumer Agency of Canada

The Year in Review

Overview

The Financial Consumer Agency of Canada (FCAC) continues to strive for a secure and fair marketplace for Canadian consumers. It works to give financial consumers the information they need to make informed decisions. It also provides effective oversight with respect to the consumer protection provisions of the law.

FCAC has direct contact with tens of thousands of consumers annually, allowing us to develop a unique perspective and expertise on financial consumers' needs and concerns. This perspective guides our educational initiatives and our regulatory enforcement.

HELPING CANADIANS

To inform Canadians about important financial issues, FCAC makes use of various opportunities. They include direct outreach work as well as partnerships with other government agencies, not-for-profit organizations and financial institutions.

In 2005–06 FCAC worked with the YMCA of Greater Toronto and the consumer group Option consommateurs to deliver information on basic banking services to vulnerable Canadians.

The Agency also worked with MasterCard to develop credit card application and solicitation documents that will be easier to understand for Canadians with lower levels of financial literacy.

Whether through its educational resources, its outreach work or its investigations of compliance matters, the Agency focuses on making the marketplace work better for Canadians.

DELIVERING OBJECTIVE INFORMATION

Since it was created, every year FCAC has seen an increase in its consumer contacts.

In 2005–06, Canadians received nearly 500,000 copies of the Agency's publications, including 359,000 downloads from our Web site—a clear sign of the popularity of the Agency's products.

With an average of approximately 2,000 visitors to FCAC's Web site every day, the Agency has an opportunity to deliver objective information to consumers at low cost. More than 30 different reports, brochures and interactive tools are available in print or on our Web site.

To help FCAC create new tools and information meeting consumer needs, in 2006–07 we will conduct a major survey about knowledge and understanding of financial products and services.

In 2005–06, Canadians received nearly 500,000 copies of the Agency's publications, including 359,000 downloads from our Web site. More than 30 different reports, brochures and interactive tools are available in print or on our Web site.

ENSURING A SAFE AND SOUND MARKETPLACE

FCAC is responsible for overseeing and enforcing the laws that protect consumers in their dealings with financial institutions. When a compliance issue comes to our attention, we follow up to determine whether an investigation is required. FCAC informs the public and the industry of the Commissioner's decisions by publishing summaries of the decisions on its Web site.

Changes to compliance case processing in 2004–05 improved FCAC's ability to maximize consumer protection. In 2005–06, the number of compliance cases closed increased by more than 20 percent: 1,385 cases were closed during the year, compared with 1,142 in 2004–05.

OUR ROLE IN 2006–07 AND BEYOND

Going forward, FCAC will continue to develop information and tools for Canadian financial consumers. We will work with partners to raise awareness among targeted consumer groups. We will monitor the behaviour of financial institutions. These actions will help support a fair, secure and competitive marketplace for consumers.

Consumer Education and Public Affairs Branch

FCAC's Consumer Education and Public Affairs Branch informs consumers about their rights and responsibilities when dealing with financial institutions. It also provides objective information to help Canadians develop a better understanding of common financial products and services.

INFORMING CANADIANS

To respond to the needs of Canadians, FCAC's information must be clear and understandable, offered in a variety of formats and available across the country.

We design our tools and publications for a wide audience. At the same time, a special focus is providing services to more vulnerable consumers, such as those with lower literacy levels. To do this we draw on internal expertise as well as advice from plain-language specialists; their suggestions and recommendations help maximize the impact and accessibility of FCAC's work.

FCAC recognizes that not all Canadians seek out or use information in the same way. Some are comfortable with a printed copy they can share with friends and family; others prefer to find and read information on-line. For this reason FCAC offers its information through a variety of formats, including its Web site and interactive tools, its print publications, group information sessions, and more.

For delivery and distribution of its materials, FCAC works creatively with partners that have established community networks across the country.

Finally FCAC works to develop relationships with the media, helping us deliver important information to a large number of Canadians in a timely manner. More and more people working in the media recognize that FCAC offers a unique and valuable perspective on consumers' concerns.

Consumer information products and tools

Publications

In 2005–06 FCAC updated its popular publications *Credit Cards and You* and the *Cost of Banking Guide*.

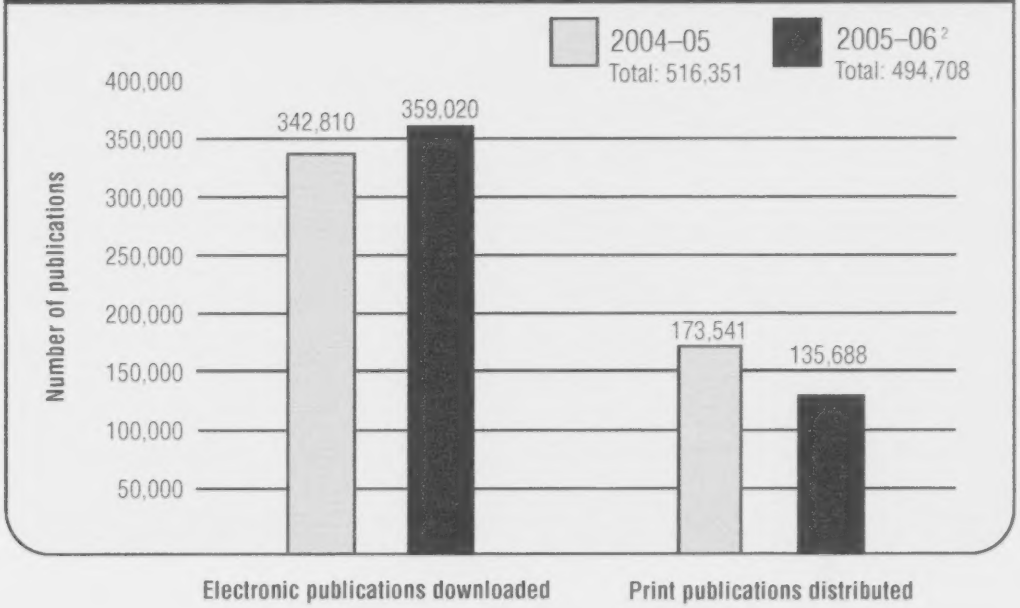
The Agency also developed and launched a new publication: *Understanding Your Credit Report and Credit Score*.

A poor credit report can have a negative impact on a consumer's financial health. It is important to be aware of credit reports and scores, and to understand how they work. *Understanding Your Credit Report and Credit Score* helps consumers do this. It explains what credit reports are, what factors might affect a credit score and why it is important to maintain a good credit report. It also gives step-by-step instructions on how to obtain a copy of your credit report at least once a year free of charge, how to understand the information in the report and how to correct errors, if necessary.

The booklet features samples of actual reports from two major credit-reporting agencies, along with explanatory notes.

Chart 1 shows the number of FCAC publications distributed during 2005–06. Including both print publications and electronic downloads (e.g. PDF files), the total number of publications provided to consumers was 494,708, a figure similar to that for the previous year. The most popular publications were *A New Approach to Helping Consumers, Your Rights and Responsibilities*, and *Understanding Your Credit Report and Credit Score*.

Chart 1: Distribution of FCAC consumer publications[1]



[1] Included are downloads only of publications intended for use by the general public.
[2] In 2005–06, there was a slight decrease in the total print publications distributed as a result of a new method of counting kit or multi-piece publications.

Web site and interactive tools

Each year since the creation of the Agency, the number of Canadians visiting our Web site has grown significantly. In 2005–06, the FCAC Web site averaged over 2,170 visitors per day, an increase of 67.3 percent from the previous year (see **Table 1**). There were more than 766,000 visits to the site during the year, up from 458,253 in 2004–05. Since FCAC's first full year of operation, visits to the Web site have increased by over 500 percent.

Helping to attract the many visitors are the practical and innovative interactive tools on the site. In 2004–05 FCAC launched a new tool that allows visitors to find the complaint-handling procedure for any federally regulated financial institution in Canada. In 2005–06 this tool was the most visited area of the FCAC Web site. During the year we added two new products to our family of interactive on-line tools.

- **Credit Cards and You interactive tool**

This easy-to-use tool adds an interactive dimension to FCAC's popular publication *Credit Cards and You*. After answering a few simple questions about their needs and habits, consumers receive a customized list of credit cards that suit their profile and preferences. With the choices narrowed down, it becomes easier to compare different cards in detail. The tool pulls together information about more than 200 credit cards offered by 25 major credit card issuers.

In developing this tool FCAC consulted with a variety of organizations for feedback on the tool's functionality. They included the Canadian Bankers Association, Option consommateurs, the Union des consommateurs and the Public Interest Network.

Table 1: FCAC Web site usage

	2004–05	2005–06
Number of visits[1]	458,253	766,426
Average number of visits per day	1,300	2,177
Number of visits to FCAC quizzes	11,652	19,170
Number of visits to Cost of Banking Guide interactive tool	7,492	9,630
Number of visits to Complaint-handling Process search tool	—	39,960
Number of visits to Credit Cards and You interactive tool	—	9,560

[1] The number of visits is the total number of times that visitors came to FCAC's site. If a visitor is idle longer than 30 minutes, the visit is considered to be terminated. If the visitor continues to browse the site after being idle for more than 30 minutes, a new visit is counted.

- **Frequently Asked Questions database**

Drawing on the thousands of inquiries FCAC receives each year, the Agency updated its Web site to include a Frequently Asked Questions (FAQ) database. This features a comprehensive list of more than 70 questions and answers about various financial services and products.
The database covers popular topics such as credit cards, bank accounts, credit reports, loans, mortgages, cheques, pre-authorized debits and more.

The easy-to-use search function supports searching by keyword, category and subcategory. Consumers can also view the contents of the FAQ database sorted by "most viewed" and "latest added."

Partnerships and outreach

FCAC has strategic partnerships and collaborations with other organizations in the public, private and not-for-profit sectors. The aim is to raise awareness of the Agency's services and resources, and to minimize its expenditures.

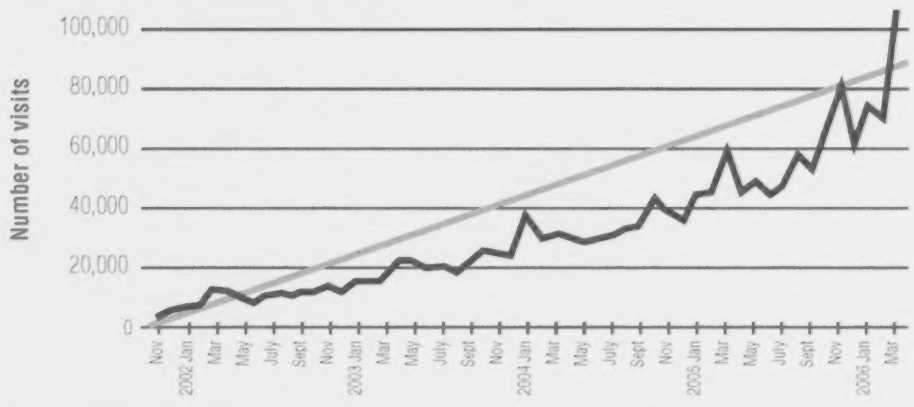
These partnerships allow FCAC to tap into extensive consumer networks and reach a variety of communities across the country.

Government

In 2005–06 FCAC worked closely with a number of federal government organizations, including:

- Canada Revenue Agency
- Human Resources and Social Development Canada
- Public Works and Government Services Canada
- Service Canada
- Veterans Affairs Canada

Chart 2: FCAC Web site visits per month, since launch



With the help of its partners, FCAC was able to strategically target different consumer audiences.

- **Cheque inserts**

  In October and November 2005, FCAC worked with the Canada Revenue Agency to insert an information pamphlet with mail-outs of GST/HST credit cheques and Canada Child Tax Benefit cheques. The FCAC insert told recipients about their right to open a personal bank account and cash Government of Canada cheques, the availability of low-cost bank accounts, and the benefits of direct deposit. After the mail-out FCAC heard from over 14,000 Canadians.

  The Agency also worked with Human Resources and Social Development Canada to include information for seniors in distributions of Old Age Security pension and Canada Pension Plan cheques. In these mailings FCAC informed seniors about their right to cash Government of Canada cheques, as well as about specialty discount accounts for seniors. As a result of this collaboration, more than 1,800 consumers contacted FCAC for more information.

- **Canada Pavilion**

  Public Works and Government Services Canada is manager of the Government of Canada Exhibitions Program, which includes the Canada Pavilion—a unique travelling showcase featuring different federal departments and agencies. This gives FCAC an opportunity to meet face to face with Canadians across the country and tell them about the Agency's work. FCAC participated in five Canada Pavilion events in 2005–06, including the Home Show in Moncton, Québec City's Expo Québec, Regina's Canadian Western Agribition, Victoria's Tall Ships Festival and the Festival des Voyageurs in Winnipeg. At these events FCAC representatives spoke with more than 10,000 Canadians and distributed over 21,000 publications. Plans are underway to continue with this successful outreach project in 2006–07.

The Agency included information pamphlets with mailings of Old Age Security pension and Canada Pension Plan cheques. FCAC informed seniors about their right to cash Government of Canada cheques, as well as about specialty discount accounts for seniors.

- **Service Canada Feature of the Month**

  In February 2006, FCAC took part in Service Canada's Feature of the Month program. Under the program, 320 Service Canada outlets across the country featured the Agency's publications to help raise awareness of FCAC services. More than 60,000 publications were distributed as a result of this initiative.

On an ongoing basis, FCAC makes use of Service Canada's kiosks and offices throughout the country to supply information and resources to Canadians.

- **Information on financial management for Canadian Forces veterans**

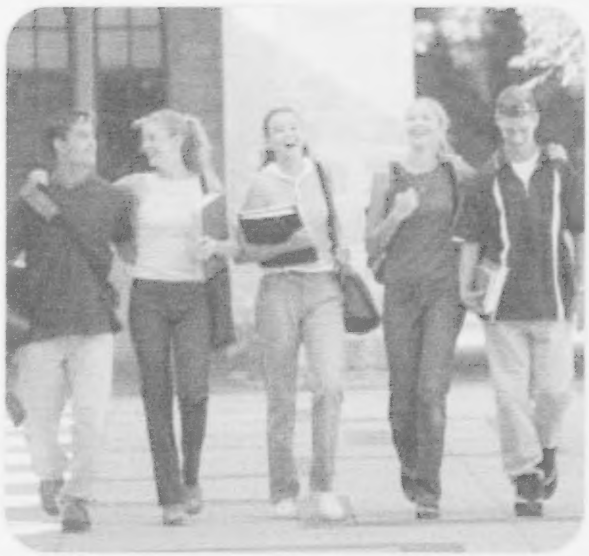
  During the year FCAC worked with Veterans Affairs Canada to develop plain-language information for Canadian Forces veterans, to assist them in making good financial decisions.

- **Registered Education Savings Plan booklet**

  FCAC worked in collaboration with the Canada Education Savings Program at Human Resources and Social Development Canada to develop a booklet explaining Registered Education Savings Plans (RESPs) and how they work. The booklet describes how families can maximize the impact of their RESP contributions by using new federal government education savings incentives, such as the Canada Learning Bond and Canada Education Savings Grants.

- **FCAC in the classroom**

  In 2004–05 FCAC participated in the Canada Revenue Agency's Teaching Taxes program, which provides materials to help high school teachers educate students about Canada's tax system. In 2005–06 we followed up by contacting teachers who had requested FCAC material. We sent over 600 letters directly to Canadian teachers to promote the use of FCAC publications with their students. As a result, we received 200 requests and distributed more than 20,000 publications. These helped students better understand a variety of financial products and services, as well as their rights when dealing with financial institutions.



Private-sector and not-for-profit organizations

To reach vulnerable consumers, FCAC partners with organizations that are already in touch with these Canadians or that undertake activities affecting them. The objective is to inform them about their rights, especially to basic banking services—for example, opening a personal bank account or cashing a Government of Canada cheque.

In 2005–06 the Agency continued to build relationships in this sector. Its partners included:

- Fédération canadienne pour l'alphabétisation en français
- Option consommateurs
- Social and Enterprise Development Innovations
- YMCA of Greater Toronto

These partnerships allow FCAC to extend its reach to communities and groups with which it might not otherwise have direct links.

- **Understanding financial capability**

  In June 2005, in partnership with Social and Enterprise Development Innovations and the Policy Research Initiative, FCAC co-hosted "Canadians and Their Money," a national symposium on the issue of financial capability.

  The first event of its kind in Canada, the symposium brought together more than 150 government and private-sector experts and community representatives from Canada, the United States and Europe to learn about existing research, policy and practice in the area of financial capability.

- **Plain language**

  FCAC recognizes that many Canadians face financial literacy challenges. To deal with these it has undertaken a number of projects that promote the use of plain language.

  FCAC participated again this year in "Towards Clearer Communications," a series of conferences organized by the Fédération canadienne pour l'alphabétisation en français. Sessions were held in Montréal, Ottawa, Vancouver and St. John's. FCAC provided a one-hour presentation on the Agency's experience in the area of plain-language communications. The four conferences attracted 1,028 participants in 2005–06, almost doubling the figure for 2004–05.

- **FCAC's "Train the Trainer" program**

  Developed by FCAC, "Train the Trainer" is a program that provides an overview of the Canadian financial services industry, along with plain-language information on consumers' rights to open a bank account and cash a Government of Canada cheque for free in Canada. FCAC gives the program and relevant materials—including presentations and publications—to organizations and trainers willing and able to deliver the information to new immigrants or other community groups.

  In 2005–06 the YMCA of Greater Toronto and Option consommateurs delivered this program to various groups. The Agency will continue to offer the program to interested organizations.

- **Accessible credit card documents**

  Working with MasterCard, in 2005–06 we asked plain-language experts to recommend ways of increasing the readability of solicitation and application documents for credit cards. The experts considered the literacy level required to fully understand forms and brochures used in credit card applications; they identified strengths and weaknesses of existing documents; and they proposed a model application form that would be accessible to people of widely varying literacy levels.

  By the end of March 2007, FCAC and MasterCard hope to finalize a model form based on the experts' recommendations. Clearer disclosure will help Canadians better understand the terms and conditions of their credit card agreements.

International scene

FCAC participates in the International Forum on Financial Consumer Protection and Education, created over three years ago. The Forum's annual meetings bring together financial market conduct regulators from various countries to share best practices and common concerns in the field of financial consumer protection and education.

Held in Malaysia, the 2005–06 meeting drew more than 50 representatives from 35 countries. Discussions focused on a range of topics: financial capability; fair market practices; identity theft and fraud; effective disclosure; statutory versus self-regulation; the supervisory framework for market conduct; measuring effectiveness; and the future of consumer protection.

Media relations

As a small agency, we explore all opportunities for communicating what we do and how our efforts benefit Canadians. We consider the media an important channel for conveying information about our work and about financial sector issues in general.

In 2005–06, FCAC continued to have a positive relationship with the media. The Agency received 388 media mentions, resulting in 24 million media impressions. This represents a significant increase over 2004–05, when we were covered in 204 stories for a total of 20 million media impressions.*

FCAC continues to be mentioned in connection with issues related to credit cards and debit card fraud. However, there was also significant media coverage of the Agency's newest publication, *Understanding Your Credit Report and Credit Score*, its payday loan survey and the new Credit Cards and You interactive tool. Coverage was most extensive in print media outlets in both official languages.

* FCAC calculates its overall media "impressions" by adding up the circulation figures of media in which the Agency was mentioned. In cases where we could not obtain figures, nothing was added to the overall total.

Compliance and Enforcement Branch

PROTECTING CONSUMERS IN THE MARKETPLACE

FCAC's Compliance and Enforcement Branch (formerly Compliance and Industry Relations) oversees consumer protection laws, and monitors compliance with voluntary codes of conduct and public commitments. The Agency proactively investigates industry compliance. It relies on consumer complaints as a source of information, and also uses other tools such as mystery shopping exercises and annual examinations.

The market impact of FCAC's supervision is considerable. A single compliance case may lead to changes throughout the industry, and improvements for thousands or even millions of Canadians.

Refining the compliance process

FCAC reviews its compliance procedures on an ongoing basis to ensure that they are effective and cost-efficient. After a major review of its compliance framework in 2003–04, the Agency took further steps to improve the efficiency of its investigation process in 2005–06. Recent adjustments have been primarily internal; they are designed to maximize consumer protection with the resources available by targeting more substantive compliance concerns.

All compliance cases undergo early assessment and prioritization. Following revisions to the procedures, the administrative process has been simplified for cases where the problem is isolated and the impact is limited. This approach frees resources for more substantive cases, while reducing the administrative burden on financial institutions. In a non-substantive case the Deputy Commissioner may close the file

without further investigation, advising the financial institution of the action taken.

For a more substantive case a complete investigation is conducted and, where warranted, the compliance officer prepares a report with recommendations to the Commissioner on appropriate measures. To identify potential trends, the Branch closely monitors all issues brought to its attention, whether substantive or non-substantive.

In some situations, joint borrowers do not wish to receive individual copies of the disclosure statements. Borrowers cannot absolve an institution of its legislative obligation to provide disclosure. In the view of the Commissioner, however, after joint borrowers have been informed of their right to receive separate disclosure documents, they may give their written consent to receive these in the form of a single disclosure statement addressed jointly to the co-borrowers.

In 2005–06 the Commissioner made clear to the industry his view that all borrowers without exception should receive equal disclosure. Accordingly, FCAC has requested all affected federally regulated financial institutions to review their practices and ensure that they provide proper disclosure to all borrowers.

Disclosure to multiple borrowers

Spurred by a single case (see page 20), in 2005–06 the Commissioner made clear to the industry his view that all borrowers without exception should receive equal disclosure. He pointed out that the *Cost of Borrowing Regulations* do not differentiate between types of borrowers, and that therefore the disclosure of the cost of borrowing and other prescribed information is to be provided to all borrowing parties, in keeping with the *Regulations*.

Accordingly, FCAC has requested all affected federally regulated financial institutions to review their practices and ensure that they provide proper disclosure to all borrowers.

The consent must clearly set out the consequences of this decision, and it should include a statement indicating that the consent may be revoked if separate statements are required in the future.

Commissioner's decisions in 2005–06

Throughout each fiscal year, the Commissioner makes numerous decisions on cases related to compliance matters. Following are summaries of a few notable decisions in 2005–06.

- **Failure to disclose credit card provisions**

  A bank offered a new service for one of its credit cards, including an insurance benefit. A consumer who held the credit card in question

and was over the age of 65 opted and paid for the service. At the time the service was launched, however, the benefit was restricted to individuals under the age of 65. As a result, the consumer had to go to another provider and incur an additional cost to obtain the desired service.

Consumers were not provided with proper initial disclosure about this service. Moreover, the wording of the notice sent to customers was misleading. Since these actions constituted a violation of the *Bank Act* and the *Cost of Borrowing (Banks) Regulations*, the Commissioner issued a Notice of Violation, noting two violations against the bank.

In response to the Commissioner's decision, the bank sent a mailing insert informing customers of changes to the cardholder agreement. The bank has also undertaken to reprint its insurance certificates to ensure that the information is accurate.

- **Failure to disclose credit card charges**

A consumer contacted FCAC to report that he was being charged interest for purchases on his credit card, even though the purchases were not yet shown on his monthly statement or included in his monthly balance.

The consumer had taken advantage of a promotional offer from the bank and obtained convenience cheques that offered a lower interest rate. Printed on the back of the cheques was a condition that purported to change the allocation of payments. These would now be allocated first to new transactions whether or not they had appeared on the credit card statement. The change had the effect of eliminating the grace period offered in the cardholder agreement, making the consumer liable to interest charges. The promotional cheques were used by approximately 158,000 customers; 8,200 of them were similarly affected.

A Notice of Violation was issued, noting one violation against the bank. The bank undertook to issue a refund to all cardholders who had taken advantage of the offer and had been adversely affected. The bank also reviewed its payment allocations, with the result that it changed its practice: instead of applying payments to lower-rate, unbilled transactions, it would apply payments first to transactions appearing on statements. In addition, the bank mailed to customers an updated account-holder agreement disclosing how their payments would be allocated.

- **Failure to disclose a loan amendment to a joint borrower**

A consumer contacted FCAC to report that a bank had made changes to the loan on which he was a co-borrower without his knowledge or consent, and that he had not received disclosure documentation from the bank about the changes.

Proper disclosure ensures that consumers are able to make the right decisions when using their credit card accounts.

The failure to disclose an amendment to the terms of the loan in question was a contravention of applicable regulations. A Letter of Reprimand was issued, noting one violation against the bank.

Before the incident, the bank had implemented policies and procedures to ensure that all borrowers are required to sign amendments to loans, and that all receive the appropriate disclosure documents. Following FCAC's intervention, the bank provided training to the employee involved in this case.

The case prompted FCAC to conduct an industry-wide review of disclosure for multiple borrowers. More information on this undertaking is provided on page 19, under the heading "Disclosure to Multiple Borrowers."

- **Failure to advertise correct annual interest rate on loans**

A bank conducted an advertising campaign for a mortgage product through direct mail, the Internet and the media. Some of the advertising material failed to indicate the cost of borrowing as an annual percentage rate with the same prominence and in the same manner as the interest rate. An incorrect annual percentage rate was also disclosed. Some of the advertisements did not indicate the term of the loan.

Since these actions constituted a failure to comply with applicable regulations and sections of the *Bank Act*, a Notice of Violation was issued, noting one violation against the bank for non-compliance.

The bank modified its advertising campaign to achieve full compliance. It also took measures to ensure that future campaigns would meet all compliance tests.

- **Exemption granted from requirement to provide notice of bank branch closure**

A bank made a request to the Commissioner to be exempted from the requirement to provide a written notice of branch closure for one of its closing branches. The request was granted.

The closing branch was relocated to a site more than 500 metres away but only an estimated 10 metres over the prescribed distance. A sign announcing the bank as a tenant at the new site was installed seven months before the move. The bank indicated that the move would have no impact on the current activities of the branch and would not disrupt service.

The bank planned several measures to ease the transition to the new location. These included sending a communication to all customers announcing the new branch location, displaying posters in the closing branch during the months preceding the move, providing extended hours of service at the new location, keeping a bank machine at the closing branch location and providing wheelchair access for customers at the new location.

The *Notice of Branch Closure (Banks) Regulations* allow discretion to the Commissioner to grant exemption from the requirement to give notice of a closure, or to vary the notice, in specific cases. In this case the Commissioner exercised his discretion and granted the exemption because the branch was to be relocated at a distance of only 510 metres, with very limited impact on the community.

Annual examinations

As part of its mandate, FCAC carries out annual general examinations of all federally regulated financial institutions to determine whether they are complying with consumer laws, regulations and voluntary codes of conduct. The Agency found that federally regulated financial institutions are broadly meeting their obligations. Individual investigations and compliance cases were initiated to address specific compliance issues revealed by this annual exercise.

FCAC–Seneca College applied research project

In 2005–06 FCAC collaborated on a research project with the Centre for Financial Services of Toronto's Seneca College. The project involved designing a curriculum and course materials to enhance educational opportunities for the staff of financial institutions and financial regulators.

The research project ran from July 2005 to the end of March 2006. It examined the qualifications, knowledge base and skills of compliance personnel. The aim was to determine the types of training and professional development that would enable compliance officers to more rapidly identify non-compliance risks and issues; this increased ability would in turn enhance protection for consumers and reduce reputational risks. The resulting course materials will be suitable for training workers in the compliance area of the financial sector.

Compliance Connection *Newsletter*

At the end of 2005–06, FCAC's quarterly compliance newsletter, *Compliance Connection*, was replaced with a new area on our Web site: "News and Information," accessed through the new "For the Industry" portal. This is a more effective and accessible means of disseminating regularly updated information about FCAC's compliance mandate.

Working for Canadians

Issues that concern Canadians

At the heart of our mandate is the responsibility to listen to and respond to Canadians' concerns. Over the course of the year we receive thousands of inquiries, requests and complaints about the market conduct of federally regulated financial institutions. The charts and tables on the following pages provide a detailed report on what Canadians are concerned about, which parts of the country we hear from most and which issues we hear about most.

FCAC serves consumers from all over Canada. **Table 2** shows the number of inquiries and complaints received during 2005–06, broken down by location. Total contacts were 39,818, up from 28,788 the previous year. Overall, contacts in 2005–06 increased by 38 percent from the previous year. Quebec and Ontario accounted for the greatest number of contacts.

Table 2: Total contacts received by FCAC, by location

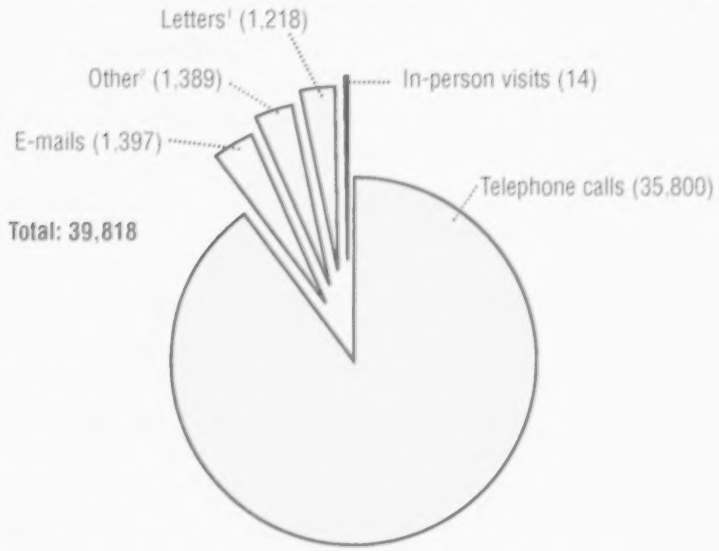
	2004–05	2005–06[1]
Alberta	2,966	4,190
British Columbia	1,813	4,685
Manitoba	1,121	1,601
New Brunswick	880	1,203
Newfoundland and Labrador	409	618
Northwest Territories	29	57
Nova Scotia	818	1,139
Nunavut	18	62
Ontario	7,239	11,976
Prince Edward Island	71	164
Quebec	5,784	11,423
Saskatchewan	710	1,165
Yukon	15	23
USA	96	109
International, other than USA	74	65
Unknown[2]	6,745	1,338
Total	**28,788**	**39,818**

[1] In late 2005–06, FCAC enhanced its data processing system to track outreach activities more closely. A small number of outreach contacts (251) were recorded in the database.

[2] The location was not indicated by the person contacting FCAC. Since 2004–05, improved tracking has reduced the number of contacts recorded in the "Unknown" category.

Chart 3 shows how consumer inquiries and complaints reached FCAC. Telephone continues to be the preferred way for consumers to contact FCAC, accounting for almost 90 percent of all contacts.

Chart 3: Total contacts received by FCAC, by source, 2005–06



1 Includes letters, faxes and telephone calls that required a written response.
2 Includes cases initiated by FCAC and self-reported complaints from financial institutions.

Chart 4 breaks down inquiries about federally regulated financial institutions by the type of institution. Banks were the subject of 88 percent of inquiries concerning federally regulated financial institutions.

Chart 4: Total contacts received by FCAC, by type of federally regulated financial institution, 2005–06

Table 3 shows the number and range of topics about which inquiries and complaints were made during the year, excluding compliance matters. The top three areas of concern to consumers who contacted FCAC were direct deposits, cheques and credit bureaus.

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2005–06

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
Accounts			
ABMs	21	47	68
Access to funds	78	57	135
Account fees	57	47	104
Agreements	11	17	28
Banknotes	1	1	2
Bill payments (in-branch)	5	1	6
Certified cheques	1	1	2
Cheques	2,063	174	2,237
Closed	28	52	80
Collection	27	32	59
Debit cards	53	39	92
Direct deposits[2]	5,154	11	5,165
Drafts or money orders	15	13	28
Fraud	43	33	76
Interest rates	17	5	22
Internet banking	15	19	34
Opening	648	76	724
Overdraft	7	20	27
Point-of-sale purchases	8	8	16
Pre-authorized debits	46	48	94
Privacy issues	48	17	65
Quality of service	6	34	40
Right of offset	72	30	102
Statements	19	23	42
Telephone banking	3	1	4
Tied selling	4	1	5
Transfers	23	36	59
Other	123	31	154
Subtotal	**8,596**	**874**	**9,470**

Table continued on next page

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2005–06 (continued)

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
Credit			
Collection	29	52	81
Credit bureaus	1,199	105	1,304
Credit counselling	232	9	241
Subtotal	**1,460**	**166**	**1,626**
Credit cards			
Applications	191	36	227
Bill payments	70	90	160
Cancellations	54	48	102
Changes to terms and conditions	13	12	25
Collection	66	152	218
Complaint-handling procedures	4	14	18
Convenience cheques	8	10	18
Debt management	29	6	35
Deposits (secured only)	6	2	8
Disclosure	2	3	5
Fees	61	40	101
Fraud	50	38	88
Insurance	35	19	54
Interest rates	67	79	146
Internet banking	3	2	5
Lost	5	2	7
Pre-authorized debits	7	9	16
Privacy issues	8	11	19
Quality of service	1	30	31
Reward plans	10	5	15
Solicitations	33	47	80
Telephone banking	1	1	2
Tied selling	0	2	2
Transfer of balances	9	15	24
Other	218	60	278
Subtotal	**951**	**733**	**1,684**

Table continued on next page

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2005–06 (continued)

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
Financial institutions			
Banknotes	11	3	14
Branch closures	36	19	55
Branches	17	8	25
Coins	17	8	25
Complaint-handling procedures	43	108	151
Contact information	800	7	807
Estate matters	47	34	81
Exchange rates	20	10	30
Legitimacy	316	2	318
Maximum interest rate	30	0	30
Quality of service	17	42	59
Regulatory	112	4	116
Safety deposit boxes	7	10	17
Other	93	29	122
Subtotal	**1,566**	**284**	**1,850**
General inquiries			
FCAC	254	5	259
Publications[3]	2,523	3	2,526
Referrals to other departments or organizations	15,276	417	15,693
Regulations	115	5	120
Refusals to cash large bills	5	1	6
Small/medium-sized enterprises	66	7	73
Wrong numbers	2	0	2
Other	799	114	913
Subtotal	**19,040**	**552**	**19,592**
Insurance			
Car	205	91	296
General issues	6	4	10
Home	130	44	174
Life	180	109	289
Lines of credit	1	4	5
Loan	1	0	1
Medical	8	17	25
Mortgage	6	8	14
Small/medium-sized enterprises	8	6	14
Travel	2	3	5
Not specified	54	11	65
Subtotal	**601**	**297**	**898**

Table continued on next page

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2005–06 (continued)

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
Investments			
Canada Savings Bonds	247	5	252
Guaranteed investment certificates	71	56	127
Life Income Funds	17	2	19
Mutual funds	29	18	47
Pensions	146	12	158
Registered Education Savings Plans	54	20	74
Registered Retirement Income Funds	11	20	31
Registered Retirement Savings Plans	145	86	231
Stocks	42	35	77
Not specified	94	51	145
Subtotal	**856**	**305**	**1,161**
Loans			
Car loans	283	52	335
Joint loans	2	1	3
Leases	16	2	18
Lines of credit	55	43	98
Mortgages	233	229	462
Payday loans	48	31	79
Personal loans	130	98	228
Student loans	158	47	205
Not specified	231	152	383
Subtotal	**1,156**	**655**	**1,811**
Grand total	**34,226**	**3,866**	**38,092**

1 Also excluded are media and outreach contacts.
2 The cheque insert campaign generated a large number of inquiries about direct deposit to accounts.
3 These contacts represent requests or inquiries strictly about publications. Not included is any case in which the consumer also had questions on another topic.

Table 4 shows the number and type of compliance contacts received by FCAC during the past two years. The overall number of compliance contacts received by the Agency remained approximately the same in 2004–05 and 2005–06.

Table 4: Total compliance contacts received, by category[1]

	2004–05	2005–06
Codes of conduct and public commitments		
Complaints	220	117
Inquiries	9	7
Self-reported complaints[2]	11	18
Media inquiries	—[3]	1
Consumer provisions		
Complaints	517	334
Inquiries	18	9
Self-reported complaints	418	694
Media inquiries	—[3]	2
Filings	176	153
Total	**1,369**	**1,335**

1 For definitions of terms, see Appendix A (Glossary).
2 To date, the Commissioner has not exercised his right to require financial institutions to self-report complaints related to codes of conduct or public commitments. Instead, the Commissioner has agreed that a financial institution can either self-report or improve public awareness of its codes and commitments.
3 The method of classifying media inquiries was different in 2004-05 and 2005-06.

Table 5 gives an overview of the compliance caseload by type of compliance matter. During 2005–06, 1,316 compliance cases were opened; 1,385 were closed by the year's end.

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1]

CONSUMER PROVISIONS	Cases pending at end of 2004–05	Cases opened during 2005–06	Cases closed during 2005–06	Cases pending at end of 2005–06
Accounts				
Advertisement	0	1	1	0
Disclosure of charges or services to customers	12	55	57	10
Disclosure of charges when account is opened	4	49	43	10

Table continued on next page

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

CONSUMER PROVISIONS	Cases pending at end of 2004–05	Cases opened during 2005–06	Cases closed during 2005–06	Cases pending at end of 2005–06
Accounts				
Disclosure of interest rates on accounts and method of calculation	4	7	9	2
Disclosure of required information in written notice of refusal	1	1	0	2
Displaying and making available information on the *Access to Basic Banking Services Regulations*	1	2	0	3
General	0	4	3	1
Provision of account agreements and complaint procedures	0	5	3	2
Provision of advance notice for new and/or increased charges	11	66	66	11
Provision of written notice of refusal	4	5	5	4
Refusal to open — General	16	59	47	28
Refusal to open because of bankruptcy	1	4	4	1
Refusal to open because of credit history	33	32	47	18
Refusal to open because of lack of employment	0	1	0	1
Refusal to open because of lack of proper identification	4	34	27	11
Branch closures				
General	1	1	2	0
Provision of required notice	2	5	7	0
Request for public meeting	0	4	4	0
Coercive tied selling				
Displaying and making available notice relating to the prohibition on coercive tied selling	1	3	1	3
General	7	18	21	4
Complaint procedures				
Designation of committee to monitor procedures	0	2	0	2
Establishment of complaint-handling procedures	0	4	2	2
Filing requirements not met	0	2	0	2
Requirement for FRFI[2] other than a bank to be a member of a third-party dispute resolution organization	59	6	60	5

Table continued on next page

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

CONSUMER PROVISIONS	Cases pending at end of 2004–05	Cases opened during 2005–06	Cases closed during 2005–06	Cases pending at end of 2005–06
Compliance of affiliate	1	0	1	0
Cost of borrowing — General	1	3	1	3
Credit cards				
Disclosure in plain language	1	0	1	0
Disclosure of changes to non-interest charges	4	9	13	0
Disclosure of changes to the cost of borrowing or credit agreement	4	30	29	5
Disclosure of cost of borrowing when issued	20	64	64	20
Disclosure of non-interest charges when issued	22	30	44	8
Disclosure of required information in monthly statements	4	8	9	3
Disclosure of required information in advertisements	1	2	0	3
Disclosure of required information in application forms	7	12	13	6
Disclosure of the cost of borrowing expressed as a rate per annum	3	3	3	3
Disclosure relating to optional services	12	42	49	5
General	5	26	29	2
Provision of monthly statements	51	98	105	44
Disclosure of charges for services	2	11	9	4
Disclosure of cheque holding policy	10	37	36	11
Disclosure of interest rates — General	1	14	9	6
Disclosure of interest rates in advertisements	0	1	1	0
Examination — Institution-specific	1	1	1	1
Failure to inform how to reach FCAC	0	3	1	2
Government of Canada cheques				
Displaying and making available information on the *Access to Basic Banking Services Regulations*	1	0	0	1
Fee charged for cashing	0	3	2	1
Provision of written notice of refusal	2	2	2	2
Refusal to cash	5	18	15	8
Index-linked deposits — Disclosure of required information	0	5	5	0

Table continued on next page

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

CONSUMER PROVISIONS	Cases pending at end of 2004–05	Cases opened during 2005–06	Cases closed during 2005–06	Cases pending at end of 2005–06
Lines of credit				
Disclosure of changes to the cost of borrowing or credit agreement	5	10	10	5
Disclosure of cost of borrowing when issued	3	16	13	6
Disclosure of non-interest charges when issued	2	2	3	1
Disclosure of required information in advertisements	0	2	0	2
Disclosure relating to optional services	3	1	4	0
General	1	3	2	2
Provision of monthly statements	6	21	19	8
Loans				
Disclosure of changes to the cost of borrowing or credit agreement	7	8	7	8
Disclosure of cost of borrowing when issued	2	13	9	6
Disclosure of non-interest charges when issued	0	1	1	0
Disclosure of the cost of borrowing expressed as a rate per annum	1	0	0	1
Disclosure relating to optional services	1	1	1	1
General	5	8	9	4
Provision of annual statements	2	8	3	7
Mortgages				
Disclosure in plain language	0	1	0	1
Disclosure of changes to the cost of borrowing or credit agreement	7	24	19	12
Disclosure of changes to non-interest charges	0	2	2	0
Disclosure of cost of borrowing when issued	5	13	9	9
Disclosure of the cost of borrowing expressed as a rate per annum	2	1	3	0
Disclosure of information relating to loan repayments, rebates or charges	15	66	72	9
Disclosure of non-interest charges when issued	0	10	9	1
Disclosure of required information following a missed payment	2	4	6	0
Disclosure of required information in advertisements	2	1	3	0

Table continued on next page

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

CONSUMER PROVISIONS	Cases pending at end of 2004–05	Cases opened during 2005–06	Cases closed during 2005–06	Cases pending at end of 2005–06
Mortgages				
Disclosure relating to optional services	2	3	5	0
General	5	5	6	4
Requirement to provide 21 days' notice before mortgage renewal date	0	9	5	4
Provision of Public Accountability Statement	6	2	6	2
Public Accountability Statement made available to public	0	1	1	0
Subtotal	**403**	**1,028**	**1,078**	**353**
CODES OF CONDUCT AND PUBLIC COMMITMENTS				
Codes of conduct				
Authorized insurance activities	5	10	11	4
Debit card code	21	51	47	25
Small Business Banking Code of Conduct	1	6	6	1
Subtotal	**27**	**67**	**64**	**30**
Public commitments				
Accessibility of complaint procedures	2	10	9	3
Agreement to offer low-cost accounts	1	2	1	2
Credit cards — General	1	1	1	1
Credit cards — Visa E-Promise	0	2	2	0
Credit cards — Zero liability	30	43	64	9
Interac Online	0	1	1	0
Guidelines for the Transfer of Registered Plans	3	4	6	1
Undertaking on unsolicited services	1	5	4	2
Subtotal	**38**	**68**	**88**	**18**
FILINGS	**Filings pending at end of 2004–05**	**Filings received during 2005–06**	**Filings closed during 2005–06**	**Filings pending at end of 2005–06**
Branch closures				
Provision of closure notice	4	74	74	4
Provision of closure notice — Less than 500 m	0	21	21	0
Provision of notice for in-store, agency or satellite branches[3]	1	10	11	0
Provision of notice for temporary closure[3]	1	4	5	0
Provision of complaint-handling procedures by new institutions	9	18	20	7

Table continued on next page

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

FILINGS	Filings pending at end of 2004–05	Filings received during 2005–06	Filings closed during 2005–06	Filings pending at end of 2005–06
Public Accountability Statements	5	11	9	7
Revised complaint-handling procedures[3]	3	15	15	3
Subtotal	23	153	155	21
Grand total 2005–06	**491**	**1,316**	**1,385**	**422**

1 In some areas reclassification has necessitated restatement of the 2004–05 data. FCAC may reclassify a case in which further investigation reveals that the complaint or inquiry relates to a different issue from that originally identified.
2 FRFI: federally regulated financial institution.
3 These filings are not required by legislation but were submitted by the financial institutions concerned to keep the Commissioner informed.

Table 6 presents the outcome of compliance cases closed in 2005–06 on which FCAC took action. In 2005–06, FCAC closed seven compliance cases in which the Commissioner found violations of federal statutes. In addition to these seven cases, FCAC closed one case in which the Commissioner made a finding of non-compliance with a voluntary public commitment by a federally regulated financial institution.

Table 6: Compliance cases closed where action was taken, 2005–06

CONSUMER PROVISIONS	Number of cases closed with violations	Number of violations identified	Commissioner's decisions
Credit cards			
Failure to disclose the required information in monthly statement	1	1	1 Notice of Decision, no Administrative Monetary Penalty
Failure to disclose relating to optional services	2	2	1 Notice of Decision, no Administrative Monetary Penalty
Loans			
Failure to disclose changes to the cost of borrowing or credit agreement	1	1	1 Letter of Reprimand[1]
Mortgages			
Failure to disclose information relating to repayments, rebates or charges	2	2	1 Notice of Decision[2] and Administrative Monetary Penalty ($30,000)[3]
Failure to disclose required information in an advertisement	1	1	1 Notice of Decision, no Administrative Monetary Penalty
Total	**7**	**7**	

1 This case was already under review when FCAC procedures changed to discontinue the use of Letters of Reprimand.
2 The same Notice of Decision was issued for these two cases.
3 Because they use accrual accounting, the FCAC Financial Statements report the total Administrative Monetary Penalties as $35,000. This amount includes an additional $5,000 penalty assesed in 2005–06 for a case that was not yet closed at the year's end.

Table 7 shows how many cases relating to consumer provisions were closed during 2005–06.

Table 7: Cases closed relating to the consumer provisions, by type of disposition,[1] 2005–06

CONSUMER PROVISIONS
Accounts
Advertisement
Disclosure of charges or services to customers
Disclosure of charges when account is opened
Disclosure of interest rates on accounts and method of calculation
General
Provision of account agreements and complaint procedures
Provision of advance notice for new and/or increased charges
Provision of written notice of refusal
Refusal to open — General
Refusal to open because of bankruptcy
Refusal to open because of credit history
Refusal to open because of lack of proper identification
Branch closures
General
Provision of required notice
Request for public meetings
Coercive tied selling
Displaying and making available notice relating to the prohibition on coercive tied selling
General
Complaint procedures
Establishment of complaint-handling procedures
Requirement for FRFI[3] to be a member of a third-party dispute resolution organization
Compliance of affiliate
Cost of borrowing
Credit cards
Disclosure in plain language
Disclosure of changes to non-interest charges and/or credit agreement
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of cost of borrowing when issued
Disclosure of non-interest charges when issued
Disclosure of required information in monthly statements
Disclosure of required information in application forms
Disclosure of the cost of borrowing expressed as a rate per annum
Disclosure relating to optional services
General
Provision of monthly statements

1 For a definition of these terms, see Appendix A (Glossary).
2 Compliance Agreements also include less formal action plans.
3 FRFI: federally regulated financial institution.

	Addressed at the industry level	Addressed in a Compliance Agreement[2]	Non-substantive	Non-violation	Not a compliance matter	Other	Violation	Withdrawn	Not granted	Total number of cases closed
				1						1
			2	52	2			1		57
				43						43
				7	1	1				9
				3						3
				3						3
			1	63				2		66
		1		2				2		5
		1		37	4	1		4		47
		1		3						4
		5	2	26	1	4		9		47
		2		21				4		27
				1	1					2
			1	6						7
								2	2	4
				1						1
				18				3		21
				2						2
			45	15						60
				1						1
					1					1
				1						1
				12				1		13
	5			20	2	1		1		29
	4		3	52	2			3		64
			1	42				1		44
				8			1			9
			1	11				1		13
			1	1				1		3
				44	1		2	2		49
	4			11	13			1		29
	13		23	62	4			3		105

Table continued on next page

Table 7: Cases closed relating to the consumer provisions, by type of disposition,[1] 2005–06 (continued)

CONSUMER PROVISIONS	
Disclosure of charges for services	
Disclosure of cheque holding policy	
Disclosure of interest rates in advertisements	
Disclosure of interest rates — General	
Examination — Specific to FRFI[3]	
Failure to inform how to reach FCAC	
Government of Canada cheques	
Fee charged for cashing	
Provision of written notice of refusal	
Refusal to cash	
Index-linked deposits	
Lines of credit	
Disclosure of changes to the cost of borrowing or credit agreement	
Disclosure of cost of borrowing when issued	
Disclosure of non-interest charges when issued	
Disclosure relating to optional services	
General	
Provision of monthly statements	
Loans	
Disclosure of changes to the cost of borrowing or credit agreement	
Disclosure of cost of borrowing when issued	
Disclosure of non-interest charges when issued	
Disclosure relating to optional services	
General	
Provision of annual statements	
Mortgages	
Disclosure of changes to the cost of borrowing or credit agreement	
Disclosure of changes to non-interest charges	
Disclosure of cost of borrowing when issued	
Disclosure of cost of borrowing expressed as a rate per annum	
Disclosure of information relating to loan repayments, rebates or charges	
Disclosure of non-interest charges when issued	
Disclosure of required information following a missed payment	
Disclosure of required information in an advertisement	
Disclosure relating to optional services	
General	
Requirement to provide 21 days' notice before mortgage renewal date	
Provision of Public Accountability Statement	
Public Accountability Statement available to the public	
Total	

1 For a definition of these terms, see Appendix A (Glossary).
2 Compliance Agreements also include less formal action plans.
3 FRFI: federally regulated financial institution.

	Addressed at the industry level	Addressed in a Compliance Agreement[1]	Non-substantive	Non-violation	Not a compliance matter	Other	Violation	Withdrawn	Not granted	Total number of cases closed
				7				2		9
			1	31	4					36
				1						1
				6	2			1		9
				1						1
				1						1
			1	1						2
				2						2
		1		8	1			5		15
				5						5
	4			6						10
	6			7						13
			2	1						3
				2	2					4
	1				1					2
	4		3	11				1		19
			2	3			1	1		7
				6	2			1		9
				1						1
				1						1
	1		1	2	3			2		9
				3						3
	3		4	11	1					19
				2						2
	2			7						9
				2				1		3
	4		2	59	4		2	1		72
				9						9
				5				1		6
			1	1			1			3
				3	1			1		5
			2	3				1		6
	2			3						5
			3	3						6
				1						1
	53	**11**	**102**	**784**	**53**	**7**	**7**	**59**	**2**	**1,078**

Table 8 shows how FCAC dealt with cases related to codes of conduct and public commitments during 2005–06. Of such cases, a total of 152 were closed. The main code of conduct and public commitment issues were related to credit cards (zero liability) and the debit card code.

Table 8: Compliance cases closed relating to codes of conduct and public commitments,[1] by type of disposition, 2005–06

	Compliance	Non-compliance	Withdrawn[2]	Not a compliance matter[3]	Other	Total cases closed during 2005–06
Codes of conduct						
Authorized insurance activities	6	1	2	2	0	11
Debit card code	31	2	12	2	0	47
Small Business Banking Code of Conduct	5	0	1	0	0	6
Public commitments						
Accessibility of complaint procedures	6	1	2	0	0	9
Agreement to offer low-cost accounts	0	1	0	0	0	1
Credit cards — General	1	0	0	0	0	1
Credit cards — Visa E-Promise	2	0	0	0	0	2
Credit cards — Zero liability	53	1	6	3	1	64
Interac Online	1	0	0	0	0	1
Guidelines for the Transfer of Registered Plans	4	2	0	0	0	6
Undertaking on unsolicited services	2	0	2	0	0	4
Total	**111**	**8**	**25**	**7**	**1**	**152**

1 For a definition of these terms, see Appendix A (Glossary) and Appendix C (Major Codes of Conduct and Public Commitments Monitored by FCAC).
2 Cases are often withdrawn when consumers do not respond to FCAC's attempts to contact them in order to continue with a review of the complaint.
3 After further review, it was decided that the case was not a compliance matter.

Table 9 shows how FCAC handled complaints about branch closures during 2004–05 and 2005–06. The number of complaints about branch closures was significantly lower in 2005–06 than in 2004–05.

Table 9: Matters related to branch closures

	2004–05	2005–06
Closure notices filed by financial institutions[1]	143	109
Complaints received related to branch closures[2]	108	19
Requests to change the branch closure notice requirements		
Granted	1	0
Not granted	1	0
Received	2	0
Requests for public meetings on branch closures[3]		
Received	10	4
Withdrawn	4	2
Number of branches closing for which meeting requests were received, and meetings were or were not required		
Branches for which meeting requests were received	9	3
Branches for which meetings were required by the Commissioner	2	0
Branches for which meetings were not required by the Commissioner[4]	6[5]	2

1 This is the total number of branch closure filings, including those not falling under the regulatory definition of a branch.
2 These are complaints related to branch closures; the complainants did not request a meeting.
3 Some were multiple requests pertaining to the same branch.
4 Institutions will often voluntarily hold a public meeting without a formal requirement from the Commissioner.
5 Includes a request for a second meeting subsequent to a meeting required by the Commissioner.

FCAC's Operations

OPERATIONAL ROLES AND RESPONSIBILITIES

Commissioner

FCAC's Commissioner is appointed for a period of up to five years. The first and current Commissioner is William G. Knight. His responsibilities include:

- reporting to Parliament annually through the Minister of Finance, and to the Minister of Finance regularly, about FCAC's activities and findings;
- managing the operations of FCAC, including taking responsibility for all aspects of its program, finances, administration and human resources management;
- supervising approximately 424 federally regulated financial institutions to determine whether they are complying with applicable consumer protection legislation, and with their own voluntary codes of conduct and public commitments; and
- expanding national education initiatives to identify and meet consumers' needs for financial knowledge.

FCAC's Commissioner is an ex officio member of the Board of Directors of the Canada Deposit Insurance Corporation (CDIC) and a member of the Board's Governance Committee. He is also a member of both the Financial Institutions Supervisory Committee, chaired by the Superintendent of Financial Institutions, and the Senior Advisory Committee, chaired by the Deputy Minister of Finance. In this latter capacity the FCAC Commissioner advises on key consumer issues, offering important input for the policy advice that the committee provides to the Minister of Finance.

Consumer Education and Public Affairs Branch

The *Financial Consumer Agency of Canada Act* requires FCAC to promote consumer awareness about the obligations of financial institutions under the applicable consumer provisions, and to foster an understanding of financial services and related issues. To fulfill this requirement, FCAC's Consumer Education and Public Affairs Branch is responsible for:

- producing information materials to enhance consumers' knowledge of financial institutions' legal obligations, and of financial products and services;
- carrying out research and surveys;
- disseminating information via the media, the FCAC Web site and stakeholders;
- reaching out to community groups, associations and other stakeholders; and
- handling correspondence with consumers and operating a call centre (a joint venture with CDIC).

Compliance and Enforcement Branch

The FCAC Compliance and Enforcement Branch monitors financial institutions to ensure that they comply with the consumer provisions of the *Bank Act*, the *Trust and Loan Companies Act*, the *Insurance Companies Act* and the *Cooperative Credit Associations Act*.

The consumer provisions are listed in Appendix B, page 67. They deal with:

- opening retail deposit accounts;
- cashing federal government cheques;
- closing retail branches;

- coercive tied selling;
- disclosing cheque holding policies;
- providing information to consumers about FCAC;
- disclosing information about account charges and interest;
- producing Public Accountability Statements;
- establishing procedures for dealing with complaints; and
- disclosing the cost of borrowing.

The Branch also monitors compliance with voluntary codes of conduct and public commitments put in place by financial institutions or associations of institutions to protect consumers. The codes cover topics such as debit cards and credit relations with small businesses.

In addition, the Compliance and Enforcement Branch is responsible for:

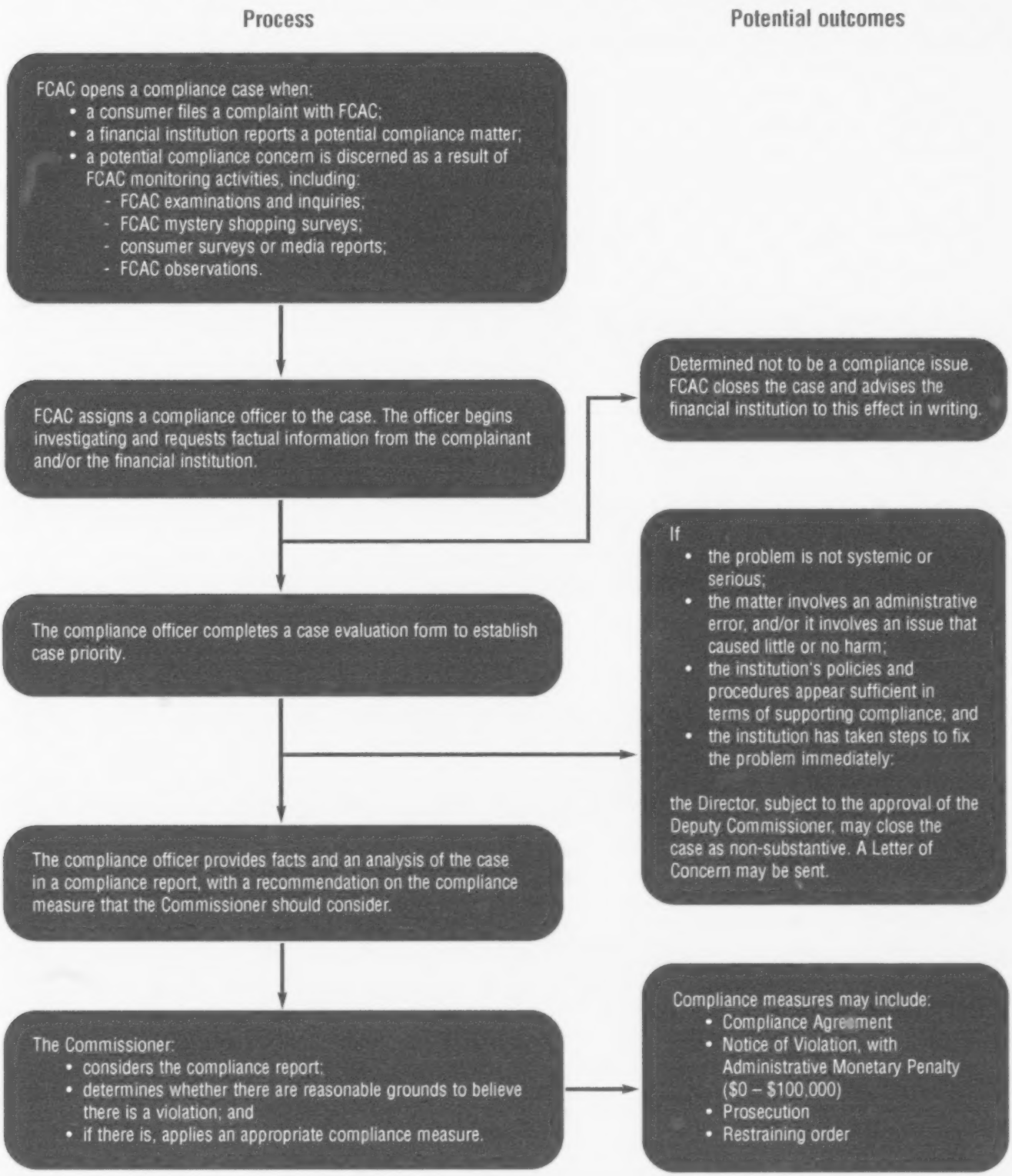
- investigating and responding to complaints relating to the consumer provisions that fall under any of the acts within FCAC's jurisdiction;
- managing the compliance framework and ensuring that federally regulated financial institutions conform to it;
- monitoring FCAC's tracking systems to identify trends;
- encouraging financial institutions to develop policies and procedures for implementing the consumer provisions that apply to them; and
- promoting a culture of compliance within federally regulated financial institutions.

Among the Branch's tools for monitoring compliance are mystery shopping, consumer surveys, analysis of complaints and inquiries, annual and special examinations of federally regulated financial institutions, and studies by third parties.

FCAC ensures compliance with legislation and regulations by applying administrative measures, imposing fines, or publicly disclosing the nature of a violation, the name of the offender and the amount of the monetary penalty imposed. Among the factors determining the approach to a specific case are the severity and scope of the problem, the degree of intent or negligence, and the compliance history of the financial institution concerned.

To fulfill its mandate of maintaining productive relations with the financial services industry, FCAC meets regularly with financial institutions. Some of the contacts take place quarterly to share information on topics of common interest, such as monitoring activities, industry-wide compliance issues, and the Commissioner's position on compliance with legislation, regulations, voluntary codes and public commitments. The ultimate purpose is to protect Canadian consumers of financial products and services, and to promote regulatory compliance. This new compliance culture requires unqualified cooperation on the part of the financial institutions.

Figure 1: FCAC compliance case management process, as of March 31, 2006


Process
Potential outcomes
FCAC opens a compliance case when:
• a consumer files a complaint with FCAC;
• a financial institution reports a potential compliance matter;
• a potential compliance concern is discerned as a result of FCAC monitoring activities, including:
- FCAC examinations and inquiries;
- FCAC mystery shopping surveys;
- consumer surveys or media reports;
- FCAC observations.
FCAC assigns a compliance officer to the case. The officer begins investigating and requests factual information from the complainant and/or the financial institution.
Determined not to be a compliance issue. FCAC closes the case and advises the financial institution to this effect in writing.
The compliance officer completes a case evaluation form to establish case priority.
If
• the problem is not systemic or serious;
• the matter involves an administrative error, and/or it involves an issue that caused little or no harm;
• the institution's policies and procedures appear sufficient in terms of supporting compliance; and
• the institution has taken steps to fix the problem immediately;
the Director, subject to the approval of the Deputy Commissioner, may close the case as non-substantive. A Letter of Concern may be sent.
The compliance officer provides facts and an analysis of the case in a compliance report, with a recommendation on the compliance measure that the Commissioner should consider.
The Commissioner:
• considers the compliance report;
• determines whether there are reasonable grounds to believe there is a violation; and
• if there is, applies an appropriate compliance measure.
Compliance measures may include:
• Compliance Agreement
• Notice of Violation, with Administrative Monetary Penalty ($0 – $100,000)
• Prosecution
• Restraining order

Administrative Services Branch

The Administrative Services Branch provides FCAC with such services as management of human resources contracts, financial management, access to information and privacy, materiel management, facilities management, records management, informatics, security, occupational health and safety, mail, and courier.

FCAC contracts with the Office of the Superintendent of Financial Institutions for its human resources and financial services, and with Public Works and Government Services Canada for its technology and communications services.

Legal Services Branch

The federal Department of Justice provides legal services to FCAC. A senior counsel from Justice Canada is part of the management structure of FCAC and reports directly to the Commissioner. The senior counsel furnishes advice on all aspects of FCAC's mandate and operations.

MODERN MANAGEMENT

Following an independent Comptrollership Capacity Assessment in 2003–04, FCAC established an action plan that described the activities, areas of responsibility, time frames and monitoring that would help improve the Agency's management processes. We then carefully scrutinized these opportunities in the context of FCAC's mandate, size, financial resources and stage of development.

As a result of our analysis, we continue to concentrate our efforts on making improvements in the following four areas.

1) Integrated performance information

As stated in our 2004–05 Annual Report, FCAC has a Results-based Management and Accountability Framework (RMAF). This includes:

- a "logic model," describing FCAC's program in terms of its planned activities, related outputs and intended outcomes;
- an evaluation strategy, presenting the evaluation issues, questions and data; and
- a reporting strategy.

The performance indicators and methodology employed in FCAC's evaluation strategy and Risk-based Evaluation Plan use existing data from our extensive, ongoing performance measurement. In 2005–06 we continued to enhance our data capture and tracking systems to ensure that the information required under the RMAF was being collected and used as effectively and efficiently as possible for reporting and decision-making purposes. During the year we produced our first annual *Program and Performance Management Evaluation Report*.

We have also adopted a performance measurement framework to serve as a guide for FCAC's projects and we are currently implementing it. This will ensure that our work is in line with FCAC's strategic goals and helps to achieve them.

In 2005–06 we produced our first annual Program and Performance Management Evaluation Report. *We also adopted a performance measurement framework to serve as a guide for FCAC's projects.*

During 2005–06 we undertook a study and surveyed several national and international organizations to learn about their respective service standards, against which FCAC would be able to refine and reaffirm some of its current performance standards.

At the same time we initiated a review of our processes and procedures, particularly those related to our Consumer Contact Centre and our Correspondence Unit. Our aim was to ensure that we continue to meet our performance standards for services to consumers by filling information requests within an appropriate time frame.

2) Human resources

In 2005–06 we initiated a Human Resources Plan process to evaluate the implications of matters such as critical positions, expected retirements, essential skills, training requirements and development opportunities. Following assessments by senior management, we completed the Agency's staffing plan for 2006–07.

During the year we repeated our annual employee survey. The results were analyzed to better understand employees' perceptions of various organizational issues and their level of satisfaction in relation to those issues.

To increase accountability and improve staff understanding of areas of responsibility, we pursued our risk-based approach in reviewing and updating FCAC's key policies, processes and procedures.

We continued to monitor staff commitment to FCAC's previously established organizational values. We did this partly through the annual staff survey.

3) Integrated risk management

In 2005–06 we completed the corporate risk profile for FCAC. We have also finalized FCAC's business process risk matrix; this enables us to ensure that we have identified all major risk categories, and have performed the necessary impact and control self-assessments.

Our 2005–07 business plan incorporates several activities that will help mitigate the risks identified in the corporate risk profile.

4) Rigorous stewardship

We continue to work with the Office of the Superintendent of Financial Institutions for the provision of internal audit services, and with the Office of the Auditor General of Canada for the annual audit of the Agency's financial statements. As part of our audit program, in 2005–06 we carried out our second internal audit, which focused on issues related to contracting and procurement. In addition, we finalized our multi-year audit plan. All audits and related documentation are presented to FCAC's Audit Committee, established in 2004–05.

In other stewardship areas, we continued reporting on the progress and impact of FCAC's programs to senior management to ensure efficiency and facilitate decision making.

FCAC's Performance

FCAC publishes detailed information about its performance in its annual *Program and Performance Management Evaluation Report*. The report is posted on the Agency's Web site and is also available in print.

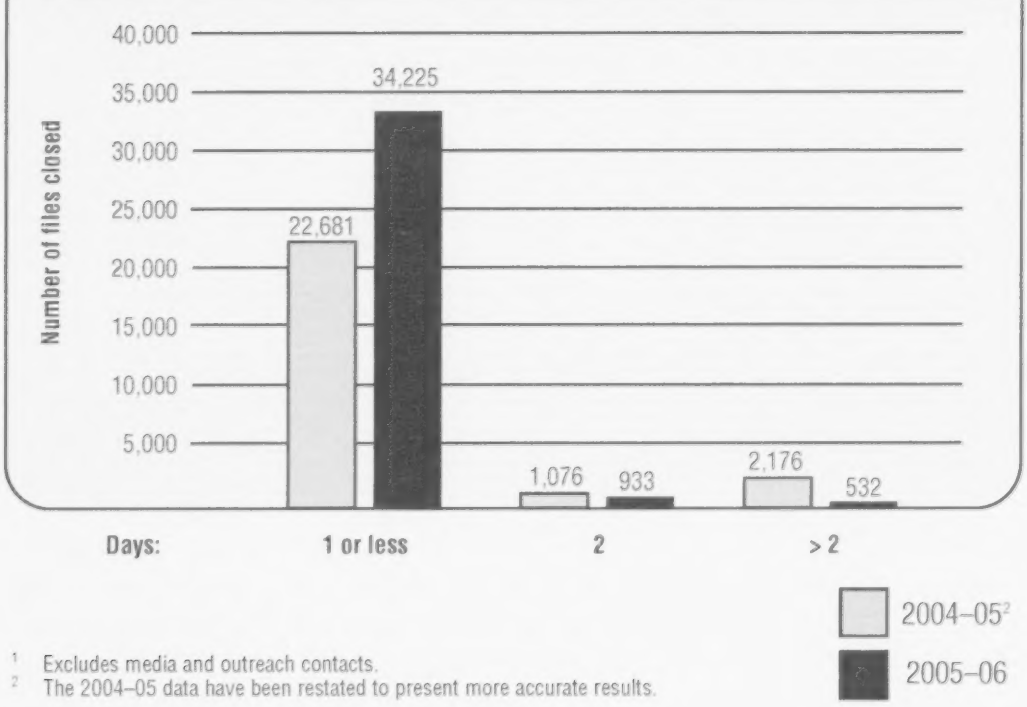
CONSUMER SERVICE PERFORMANCE

FCAC carries out statistical tracking of its service performance in three main areas: the Consumer Contact Centre; the Correspondence Unit; and the Compliance and Enforcement Branch.

Consumer Contact Centre

During 2005–06 the Consumer Contact Centre handled 35,690 telephone calls, an increase of 37.6 percent over the previous year. The average wait time for the majority of callers was 16.2 seconds, and nearly 96 percent of telephone inquiries received by the Consumer Contact Centre were fully addressed the same day. For details, see **Chart 5.**

Chart 5: Time taken to close a file related to a telephone call received by the Consumer Contact Centre[1]

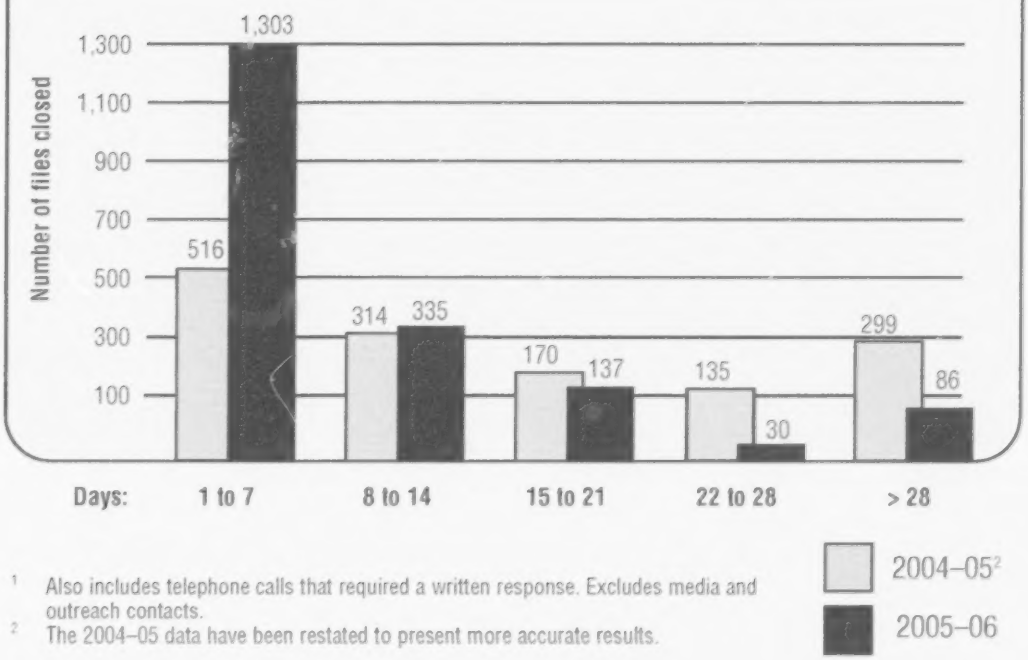


1 Excludes media and outreach contacts.
2 The 2004–05 data have been restated to present more accurate results.

Correspondence Unit

The Correspondence Unit deals with e-mail messages and letters sent to FCAC by consumers. During 2005–06 the Unit responded to 86.5 percent of all such communications within 14 working days of their receipt, compared with 58.0 percent in the previous year. **Chart 6** provides more details.

Chart 6: Time taken to close a file generated by a consumer's letter, an e-mail or an in-person visit for non–compliance related matters[1]



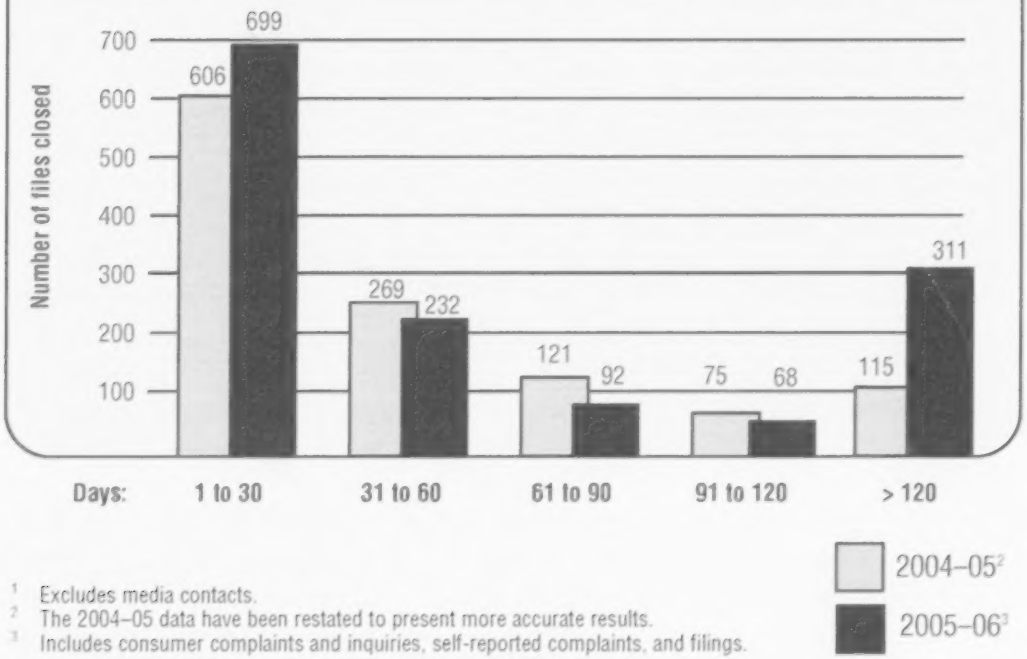
1 Also includes telephone calls that required a written response. Excludes media and outreach contacts.
2 The 2004–05 data have been restated to present more accurate results.

If consumers need information, the Correspondence Unit often directs them to FCAC publications (including *Credit Cards and You* and the *Cost of Banking Guide*) and on-line tools (including the Credit Cards and You interactive tool).

Compliance and Enforcement Branch

The Compliance and Enforcement Branch processes compliance-related files as expeditiously and effectively as possible. As shown in **Chart 7**, the Compliance and Enforcement Branch handled 51 percent of files within 30 working days. Two thirds of all cases were closed within 60 working days.

Chart 7: Time taken to close a file related to a compliance matter[1]



1 Excludes media contacts.
2 The 2004–05 data have been restated to present more accurate results.
3 Includes consumer complaints and inquiries, self-reported complaints, and filings.

Financial Statements

Financial highlights

The Financial Consumer Agency of Canada is a federal government department that is funded through assessments paid by federally regulated financial institutions. Banks pay more than 90 percent of FCAC's costs since most of the consumer provisions overseen by the Agency apply to them and their financial products.

The budget for 2005–06 was $8.1 million; at the conclusion of the fiscal year, total expenses amounted to $7.3 million. The surplus of approximately $800,000 included a $200,000 annual budget contingency allowance that was not required. Surpluses were recorded notably in the budget centres for human resources costs and general administrative costs (translation, professional services, interest costs, etc.).

Rather than financing broad public awareness campaigns that might have only short-term outcomes, the Agency has expanded its use of carefully focused initiatives, such as inserting information with mail-outs of Government of Canada cheques. It has also participated in events attracting wide audiences, such as the touring Canada Pavilion. In these ways it has worked to foster public awareness of the services provided by the federal government to financial consumers.

From its inception, the Agency has been guided by the management principle that it should concentrate on delivering the program called for in its legislation. We therefore opted to use common and/or shared services for the provision of generic corporate services whenever possible.

We continue to use common service agreements with the following organizations:

- the Office of the Superintendent of Financial Institutions for financial and human resources administration, internal audit services, and research services;
- the Canada Deposit Insurance Corporation for a joint call centre; and
- Public Works and Government Services Canada for information technology support.

Building such strategic partnerships can be considered a best practice: it provides the flexibility needed to manage an evolving program and reduces inefficiency.

The Office of the Auditor General of Canada conducts an annual audit of FCAC's financial statements.

In addition, work is proceeding on the Agency's internal audit program. In 2005–06 we completed our corporate risk profile; we used this to evaluate and determine audit priorities, enabling us to create a multi-year internal audit plan. The Audit Committee, established in 2004–05, has approved the plan.

During 2005–06 we undertook our second internal audit, which focused on contracting and procurement services. The audit results were posted on FCAC's Web site in early 2006–07.

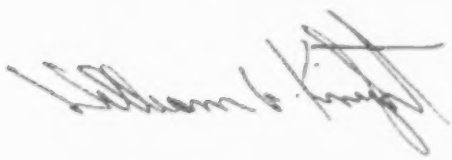
The Agency's management is committed to delivering an effective program that meets the expectations of Parliament and Canadian consumers. At the same time, management continues to fully support the principles of modern comptrollership and strives to implement them.

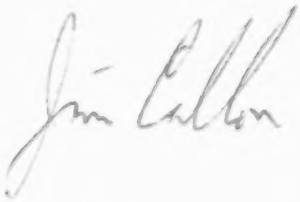
Management's Responsibility for the Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements, and their consistency with all other information contained in this annual report, rests with the management of the Financial Consumer Agency of Canada (FCAC).

These financial statements, which include amounts based on management's best estimates as determined through experience and judgement, have been prepared in accordance with Canadian generally accepted accounting principles. Management has developed and maintained books of accounts, records, internal controls, management practices and information systems designed to provide reasonable assurance that the assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and transactions are in accordance with the *Financial Administration Act* and regulations, as well as with FCAC policies and statutory requirements.

The Auditor General of Canada, the independent auditor for the Government of Canada, has audited the financial statements of FCAC, and reports on her audit to the Minister of Finance.





William G. Knight
Commissioner
Financial Consumer Agency of Canada

Jim Callon
Deputy Commissioner
Financial Consumer Agency of Canada

Ottawa, Canada
May 19, 2006

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of financial position of the Financial Consumer Agency of Canada as at March 31, 2006 and the statements of operations and equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Michael A. Pickup, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
May 19, 2006

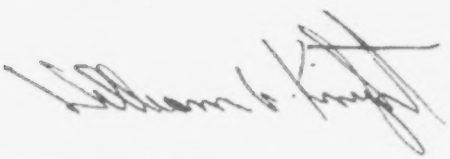
FINANCIAL CONSUMER AGENCY OF CANADA

STATEMENT OF FINANCIAL POSITION

As at March 31

	Note	2006	2005
ASSETS			
Current			
Cash Entitlement		$ 1,557,202	$ 3,247,346
Assessments Receivable		61,896	42,166
Other Assets		136,079	83,844
Capital Assets	4	275,498	440,832
TOTAL ASSETS		**$ 2,030,675**	**$ 3,814,188**
LIABILITIES			
Current			
Accounts Payable and Accrued Liabilities		$ 974,406	$ 1,563,711
Unearned Revenue		847,968	600,582
Loan Payable	5	—	1,500,000
Employee Future Benefits	6.b	208,301	149,895
Total Liabilities		**2,030,675**	**3,814,188**
Equity of Canada		—	—
TOTAL LIABILITIES AND EQUITY OF CANADA		**$ 2,030,675**	**$ 3,814,188**
Commitments	8		

Approved by:



William G. Knight
Commissioner, Financial Consumer Agency of Canada

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF OPERATIONS AND EQUITY OF CANADA

For the period ended March 31

	Note	2006	2005
REVENUE			
Assessments		$ 7,291,054	$ 7,157,400
Other Revenue		718	10,923
Total Revenue		**7,291,772**	**7,168,323**
EXPENSES			
Salaries and Benefits		4,060,273	3,731,373
Professional Services		1,236,837	1,562,410
Accommodation		671,161	672,184
Administrative and Other		541,435	435,818
Information Management/Technology		516,182	559,871
Travel		154,064	109,564
Interest		111,820	97,103
Total Expenses		**7,291,772**	**7,168,323**
Operating Results before Administrative Monetary Penalties		—	—
Administrative Monetary Penalties	9	35,000	80,000
Net Operating Results		**35,000**	**80,000**
EQUITY OF CANADA, BEGINNING OF YEAR		—	—
Administrative Monetary Penalties earned on behalf of the Government		(35,000)	(80,000)
EQUITY OF CANADA, END OF YEAR		$ —	$ —

The accompanying notes are an integral part of these Financial Statements.

FINANCIAL CONSUMER AGENCY OF CANADA

STATEMENT OF CASH FLOWS

For the period ended March 31

	Note	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Financial Institutions		$ 7,912,343	$ 7,432,983
Cash Paid to Suppliers and Employees		(7,881,607)	(5,937,410)
Interest Paid		(160,315)	(121,129)
Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund	9	(35,000)	(80,000)
Cash (Used) Provided by Operating Activities		**(164,579)**	**1,294,444**
INVESTING ACTIVITIES			
Acquisition of Capital Assets	4	(25,565)	(49,800)
Cash Used for Investing Activities		**(25,565)**	**(49,800)**
FINANCING ACTIVITIES			
New Borrowings		4,500,000	6,000,000
Repayments		(6,000,000)	(6,000,000)
Cash Used by Financing Activities		**(1,500,000)**	—
NET (DECREASE) INCREASE IN CASH ENTITLEMENT		**(1,690,144)**	**1,244,644**
CASH ENTITLEMENT, BEGINNING OF YEAR		**3,247,346**	**2,002,702**
CASH ENTITLEMENT, END OF YEAR		**$ 1,557,202**	**$ 3,247,346**

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended March 31, 2006

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in schedule I.1 of the *Financial Administration Act*.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

a) **supervise** financial institutions to determine whether they are in compliance with the consumer provisions applicable to them;
b) **promote** the adoption by financial institutions of policies and procedures to implement consumer provisions applicable to them;
c) **monitor** the implementation of financial institutions' publicly available voluntary codes of conduct that are designed to protect the interests of their customers, and monitor any public commitments made by financial institutions to protect the interests of their customers;
d) **promote** consumer awareness about the obligations of financial institutions under consumer provisions applicable to them; and
e) **foster** an understanding of financial services and issues relating to financial services, in cooperation with any department, agency or Crown corporation of the Government of Canada, or of a province, financial institution, or consumer or other organization.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. FCAC's operations are typically funded entirely through this process.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations*, which outline the methodology used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

2. Summary of significant accounting policies

a) Basis of presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

2. Summary of significant accounting policies (continued)

b) Revenue recognition

The Agency is dependent on its revenue from the assessment of financial institutions to fund its costs of operations, including those related to employee future benefits. FCAC matches its revenue to its operating costs. Any assessments that have been billed and for which costs have not been incurred are classified as unearned revenue on the statement of financial position.

Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed cost and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

c) Employee future benefits

i) Pension benefits

FCAC's eligible employees participate in the Public Service Pension Plan which is sponsored and administered by the Government of Canada. Supplementary retirement benefits may also be provided in accordance with the *Special Retirement Arrangements Act*. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 per cent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and FCAC contribute to the cost of the Plan. FCAC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

ii) Severance benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. These benefits represent the only obligation of FCAC that entails settlement by future payment.

The cost of severance benefits is actuarially determined as at March 31st of each year using the projected benefit method prorated on services. The valuation of the liability is based upon a current market discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees.

iii) Other future benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are the two major plans available to FCAC

2. Summary of significant accounting policies (continued)

employees and retirees. FCAC's responsibility with regard to these two plans is also limited to its contributions.

d) Cash entitlement

The Financial Consumer Agency of Canada does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

e) Assessments receivable

Assessments receivable are stated at amounts expected to be ultimately realized and represent a debt due to Her Majesty.

f) Capital assets

All capital assets are initially recorded at acquisition cost. Amortization of capital assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Asset class	Amortization period
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 years

3. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items involving the use of estimates and assumptions are the benefit costs and the total severance benefits liability.

4. Capital assets

	Gross book values			Accumulated amortization			Net book values	
Category	Opening balance	Additions	Closing balance	Opening balance	Amortization expense	Closing balance	2006	2005
Furniture and fixtures	$472,133	$15,327	$487,460	$194,541	$69,565	$264,106	$223,354	$277,592
Leasehold improvements	382,843	—	382,843	293,061	89,782	382,843	—	89,782
Informatics software	91,075	—	91,075	37,639	18,216	55,855	35,220	53,436
Office equipment	51,662	7,266	58,928	33,470	12,173	45,643	13,285	18,192
Informatics hardware	10,643	2,972	13,615	8,813	1,163	9,976	3,639	1,830
Total	**$1,008,356**	**$25,565**	**$1,033,921**	**$567,524**	**$190,899**	**$758,423**	**$275,498**	**$440,832**

5. Loan payable

FCAC funds its ongoing operations with cash advanced from the Consolidated Revenue Fund. There were no funds advanced as at March 31, 2006. The terms and conditions of the loan agreement for the preceding year were as follows:

	2006	2005
Principal amount	—	$1,500,000
Maturity date	—	March 4, 2006
Interest rate	—	2.89%

6. Employee future benefits

a) Pension benefits

FCAC and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The estimated employer contributions to the Public Service Pension Plan during the year were $393,058 (2005 — $348,678).

b) Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	2006	2005
Accrued benefit obligation, beginning of year	$ 274,445	$ 176,217
Current service cost	39,213	31,543
Interest cost	14,984	11,615
Benefits paid	(3,951)	—
Actuarial loss	33,737	55,070
Accrued benefit obligation, end of year [1]	358,428	274,445
Unamortized net actuarial loss	(150,127)	(124,550)
Accrued benefit liability	**$ 208,301**	**$ 149,895**
Current service cost	$ 39,213	$ 31,543
Interest cost	14,984	11,615
Amortization of net actuarial losses [2]	8,160	4,672
Net benefit plan expense	**$ 62,357**	**$ 47,830**

1 The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's revenue from assessments outlined in Note 2 to the financial statements. Amounts collected in excess of benefits paid are presented on the Statement of Financial Position under the heading of Cash Entitlement.

2 The amortization period is the remaining average service period of active employees.

A discount rate of 4.25% (2005 — 5.13%) was applied in measuring the Agency's accrued benefit obligation. Management's best estimate for the general salary increases used to estimate the current service cost and the accrued benefit obligation as at March 31, 2006 is an annual economic increase of 2.5% for the plan year 2007 (2005 — 2.5% for the plan year 2006). Thereafter an annual economic increase of 2.5% (2005 — 2.9%) is assumed. The average remaining service period of the active employees covered by the benefit plan is 13 years (2005 — 12 years).

7. Related-party transactions

FCAC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Agency has entered into service agreements with several departments and one Crown corporation for the supply of key services to the Agency and its staff in carrying out its mandate. FCAC currently works with the following partners:

- Public Works and Government Services Canada (PWGSC)
- Canada Deposit Insurance Corporation (CDIC)
- the Office of the Superintendent of Financial Institutions (OSFI)

FCAC also enters into transactions with other government entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises. The following table summarizes the impact of the Agency's significant related-party transactions for the year on total expenses and the amounts due to (from) those related parties at the end of the year. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2006		2005	
Related Party and Nature of Service Provided	**Expense**	**Payable/ (Receivable)**	**Expense**	**Payable/ (Receivable)**
PWGSC				
Accommodation	$ 479,479	$ —	$ 467,846	$ —
Management/Information Technology	361,307	90,327	410,587	403,412
Translation Services	109,786	11,820	145,976	22,449
Other Services	—	—	27,202	27,202
	950,572	102,147	1,051,611	453,063
Treasury Board				
Employee Benefits	760,856	27,573	680,841	38,529
CDIC – Professional Services				
Call Centre Administration	448,889	93,205	395,847	155,589
OSFI – Professional Services				
Financial Services	115,500	—	110,000	(286)
Human Resources Services	140,883	40,000	95,819	1,181
Internal Audit Services	36,600	—	47,000	47,000
Research Services	18,801	—	17,938	—
	311,784	40,000	270,757	47,895
Department of Finance				
Interest on Loan from the Consolidated Revenue Fund	111,820	—	97,103	3,253
Total	**$ 2,583,921**	**$ 262,925**	**$ 2,496,159**	**$ 698,329**

8. Commitments

Contractual commitments arising from service agreements entered into with various departments and one Crown corporation for the supply of key services to the Agency, as well as future minimum lease payments for the remaining term of the Agency's lease for office space are outlined below.

Year ending March 31	Service agreements	Operating lease	Total
2007	$ 743,202	$ 447,593	$ 1,190,795
2008	385,702	447,593	833,295
2009	397,606	447,593	845,199
2010	410,107	—	410,107
2011	423,234	—	423,234
Total	**$ 2,359,851**	**$ 1,342,779**	**$ 3,702,630**

9. Administrative monetary penalties

The Commissioner of the FCAC may issue Notices of Violations and impose an administrative penalty in cases where he believes that there has been either a violation of the consumer provisions or non-compliance with any compliance agreement entered into pursuant to an Act listed in Schedule 1 to the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as $50,000 for an individual and $100,000 for an institution.

Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

FCAC levied $35,000 (2005 — $80,000) in administrative monetary penalties during fiscal year 2005 – 06.

10. Comparative figures

Certain 2005 comparative figures have been reclassified to conform to the presentation adopted in 2006.

Appendices

Appendix A
GLOSSARY

Administrative Monetary Penalty
A monetary penalty that the Commissioner may impose after determining that a violation has been committed. The penalty can be as high as $50,000 for an individual or $100,000 for an institution. The amount is determined on the basis of three criteria: the degree of intent or negligence of the violator, the harm done by the violation, and any history of previous violations.

Addressed at industry level
A compliance issue has been identified as being an industry-wide issue. The institution has agreed to implement changes to improve compliance.

Addressed in Compliance Agreement
A federally regulated financial institution has agreed to enter into a Compliance Agreement concerning a compliance issue.

Case
A file opened by FCAC's Compliance and Enforcement Branch pertaining to a compliance matter, such as an alleged contravention of a consumer provision, code of conduct or public commitment. Circumstances surrounding the matter are reviewed and assessed by the Branch.

Closed case
A compliance case closed between April 1 and March 31 of the reporting year.

Code of conduct
A code adopted by a financial institution or an industry association and made publicly available (for example, on its Web site), designed to protect the interests of customers of that institution or industry. FCAC monitors whether federally regulated financial institutions comply with their voluntary codes of conduct.

Coercive tied selling
The use of coercion or undue pressure to induce an individual to obtain a product or service from a particular person, bank or affiliate, as a condition for obtaining another product or service from that same source.

Complaint
A verbal or written expression of dissatisfaction by a consumer, related to any area of activity of a financial institution.

Complaint-handling procedure
A procedure that federally regulated financial institutions are legally required to put in place for dealing with complaints made by persons who have requested or received products or services from a financial institution in Canada. Financial institutions must file their complaint-handling procedures with FCAC.

Compliance Agreement
An agreement entered into by the Commissioner and the senior management of a financial institution, specifying corrective measures designed to further compliance with the consumer provisions and setting out a time frame for implementation of the measures. A Compliance Agreement may include action plans.

Compliance, finding of
A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with the law or with the institution's voluntary code of conduct or public commitment governing such actions.

Compliance framework
A framework outlining how FCAC supervises financial institutions' compliance with the legislated consumer provisions, and how it monitors the institutions' compliance with voluntary codes of conduct and public commitments.

Compliance measures
A series of actions that the Commissioner may implement when an institution is found to have violated a consumer provision. Determined on a case-by-case basis, the compliance measures may include such correctives as proceedings initiated through a Notice of Violation and an Administrative Monetary Penalty.

Consumer provision
A provision of federal legislation/regulations identified as a consumer provision in section 2 of the *Financial Consumer Agency of Canada Act*. When designated by regulation, contravention of such a provision constitutes a violation.

Examination
An examination conducted by FCAC, as circumstances require, to satisfy the Commissioner that a financial institution is complying with the consumer provisions, as well as with its code of conduct or public commitment. FCAC forwards the conclusions of such examinations to the Minister of Finance.

Filing
A document that a federally regulated financial institution is required by legislation (the *Bank Act*, the *Cooperative Credit Associations Act*, the *Insurance Companies Act* or the *Trust and Loan Companies Act*) to file with FCAC.

Non-compliance, finding of
After investigation by FCAC, a determination that the actions of a particular financial institution do not comply with the law or with the terms of a voluntary code of conduct or a public commitment applicable to that institution.

Non-substantive issue
An issue that appears to be a violation but involves a minor or isolated incident, or has very limited impact on consumers. No violation is noted against the financial institution's history.

Non-violation, finding of
A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with its consumer provision obligations.

Not a compliance matter
A case may be found to be not a compliance matter in three circumstances:

- The relevant consumer provision, voluntary code of conduct or public commitment was in place before the creation of FCAC (October 24, 2001) or the coming into force of the *Financial Consumer Agency of Canada Designated Violations Regulations* (February 28, 2002).
- The type of loan agreement does not fall under the *Cost of Borrowing Regulations*.
- Although it was initially classified as a compliance matter, investigation shows that the subject of the case does not fall under a consumer provision, voluntary code or commitment.

Notice of Violation
A notice provided for by law and issued by the Commissioner, informing a financial institution that there are reasonable grounds to believe that the institution has violated a consumer provision. The *Financial Consumer Agency of Canada Act* requires the notice to state the name of the institution that committed the violation, the nature of the violation and the proposed amount of the Administrative Monetary Penalty to be levied against the institution by FCAC. After the Commissioner issues a Notice of Violation and receives representations from the institution, he decides on a balance of probabilities whether the financial institution committed the violation and, where appropriate, issues a Notice of Decision. The Notice of Decision describes any Administrative Monetary Penalty imposed. The Commissioner may also publicize the violation.

Opened case
A case opened in FCAC's tracking system between April 1 and March 31 of the reporting year.

Pending case
A compliance case still under investigation by FCAC as of March 31 of the reporting year.

Public Accountability Statement
A statement that each financial institution with $1 billion or more in equity is required by law to publish annually and file with the FCAC Commissioner. The statement describes the contributions made by the institution to Canada's economy or society.

Public commitment
A commitment adopted and made publicly by a financial institution (for example, on its Web site), designed to protect the interests of customers of that institution. FCAC monitors compliance by federally regulated financial institutions with their public commitments.

Self-reported complaint / Reportable complaint
A complaint involving a consumer provision that is escalated to the reportable level of a financial institution's complaint-handling process. FCAC's compliance framework requires federally regulated financial institutions to inform the Agency of any reportable complaint (as defined in the compliance framework) that involves a consumer provision.

Violation
The contravention of a consumer provision, as defined by the *Financial Consumer Agency of Canada Designated Violations Regulations*.

Withdrawn case
A case on which action has been discontinued, either because the consumer who lodged the complaint has withdrawn it or because the consumer did not respond to FCAC's attempts to contact him or her in order to obtain the facts necessary for continuing the investigation.

Zero liability
In the event of unauthorized use of a credit card, no liability on the part of the cardholder. The protection may cover purchases made in a store, by telephone or on-line.

Appendix B

CONSUMER PROVISIONS AND REGULATIONS

The *Financial Consumer Agency of Canada Act* identifies consumer provisions under the following legislation:

- the *Bank Act*;
- the *Insurance Companies Act*;
- the *Trust and Loan Companies Act*; and
- the *Cooperative Credit Associations Act*.

Consumer provisions administered by FCAC, and the institutions they affect

Type of consumer provision	Banks	Trust and loan companies	Insurance companies	Retail associations
Requirement to disclose interest and charges applicable to deposit accounts	X	X		X
Requirement to disclose the cost of borrowing	X	X	X	X
Requirement to have procedures for protecting customer information (no regulations in effect)	X	X	X	X
Requirement to open retail deposit accounts	X			
Requirement to provide notice that deposits are not insured when bank is not a member of CDIC	X			
Requirement to offer a standard low-cost account (not in effect)	X			
Note: Instead of a regulatory approach to bring this provision into effect, eight financial institutions have voluntarily committed to providing a low-cost account within guidelines established by the government.				
Within 14 days of opening a retail deposit account by telephone, consumer's right to close the account without charge	X	X		X
Prohibition on charging for cashing Government of Canada cheques	X	X		X
Obligation to cash Government of Canada cheques to a maximum of $1,500, as specified by regulation	X			

Table continued on next page

Consumer provisions administered by FCAC, and the institutions they affect (continued)

Type of consumer provision	Banks	Trust and loan companies	Insurance companies	Retail associations
Requirement to provide notice before closing a retail branch	X	X		X
Requirement for each institution with equity of $1 billion or more to file a Public Accountability Statement	X	X	X	
Requirement to set up complaint procedures and to file a copy of those procedures with FCAC	X	X	X	X
Requirement to join a separate complaints resolution organization		X	X	X
Restriction concerning coercive tied selling	X			
Requirements to disclose information to consumers in accordance with regulations (e.g. regulations on index-linked deposits, cheque holding policies)	X	X	X	X
Consumers' right to prepay loans	X	X	X	X
Requirement for an institution to provide information about FCAC when consumers have complaints about the institution's compliance with consumer provisions	X	X	X	X

Related matters	Banks	Trust and loan companies	Insurance companies	Retail associations
Requirement for FCAC to monitor industry codes of conduct and public commitments (e.g. codes dealing with debit cards or with small and medium-sized businesses)	X	X	X	X
Requirement for FCAC to report annually, in aggregate form, on the number and types of complaints brought to its attention	X	X	X	X
Requirement for institutions to provide information to the Commissioner as necessary	X	X	X	X
Requirement for annual compliance examination and reporting	X	X	X	X
Ability to enter into Compliance Agreements	X	X	X	X
Requirement to pay assessments for funding of FCAC	X	X	X	X
Ability to designate contraventions that are subject to administrative penalties	X	X	X	X

Status of consumer provisions and related regulations, as of March 31, 2006

Name of regulations	Status	Reference No.
Access to Basic Banking Services Regulations	in force	SOR/2003-184
Cheque Holding Policy Disclosure (Banks) Regulations	in force	SOR/2002-39
Complaint Information (Authorized Foreign Banks) Regulations	in force	SOR/2001-370
Complaint Information (Banks) Regulations	in force	SOR/2001-371
Complaint Information (Canadian Insurance Companies) Regulations	in force	SOR/2001-373
Complaint Information (Foreign Insurance Companies) Regulations	in force	SOR/2001-372
Complaint Information (Retail Associations) Regulations	in force	SOR/2001-374
Complaint Information (Trust and Loan Companies) Regulations	in force	SOR/2001-375
Cost of Borrowing (Authorized Foreign Banks) Regulations	in force	SOR/2002-262
Cost of Borrowing (Banks) Regulations	in force	SOR/2001-101
Cost of Borrowing (Canadian Insurance Companies) Regulations	in force	SOR/2001-102
Cost of Borrowing (Foreign Insurance Companies) Regulations	in force	SOR/2001-103
Cost of Borrowing (Retail Associations) Regulations	in force	SOR/2002-263
Cost of Borrowing (Trust and Loan Companies) Regulations	in force	SOR/2001-104
Disclosure of Charges (Authorized Foreign Banks) Regulations	in force	SOR/99-278
Disclosure of Charges (Banks) Regulations	in force	SOR/92-324
Disclosure of Charges (Retail Associations) Regulations	in force	SOR/2003-297
Disclosure of Interest (Authorized Foreign Banks) Regulations	in force	SOR/1999-272
	as amended by	SOR/2001-468
Disclosure of Interest (Banks) Regulations	in force	SOR/1992-321
	as amended by	SOR/2001-469
Disclosure of Interest (Retail Associations) Regulations	in force	SOR/2003-298
Disclosure of Interest (Trust and Loan Companies) Regulations	in force	SOR/1992-322
	as amended by	SOR/2001-470
Disclosure on Account Opening by Telephone Request (Authorized Foreign Banks) Regulations	in force	SOR/2001-471
Disclosure on Account Opening by Telephone Request (Banks) Regulations	in force	SOR/2001-472
Disclosure on Account Opening by Telephone Request (Retail Associations) Regulations	in force	SOR/2003-299
Disclosure on Account Opening by Telephone Request (Trust and Loan Companies) Regulations	in force	SOR/2001-473
Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations	in force	SOR/2001-474
Financial Consumer Agency of Canada Designated Violations Regulations	in force	SOR/2002-101
Index-linked Deposits Interest Disclosure Regulations	in force	SOR/2002-102
Notice of Branch Closure (Banks) Regulations	in force	SOR/2002-104
	as amended by	SOR/2003-70
Notice of Branch Closure (Cooperative Credit Associations) Regulations	in force	SOR/2002-105
	as amended by	SOR/2003-70
Notice of Branch Closure (Trust and Loan Companies) Regulations	in force	SOR/2002-106
	as amended by	SOR/2003-70
Notices of Uninsured Deposits Regulations	in force	SOR/99-388
	as amended by	SOR/2002-338
Public Accountability Statements (Banks, Insurance Companies, Trust and Loan Companies) Regulations	in force	SOR/2002-133

Appendix C

MAJOR CODES OF CONDUCT AND PUBLIC COMMITMENTS MONITORED BY FCAC

Codes of conduct

Canadian Bankers Association (CBA) Code of Conduct for Authorized Insurance Activities
Outlines the banks' standards for bank employees to offer credit, travel and personal accident insurance. Deals with training, disclosure, promotion practices, customer privacy protection and customer redress.

Canadian Code of Practice for Consumer Debit Card Services ("debit card code")
Outlines industry practices and consumer/industry responsibilities. Designed to protect Canadian consumers who use debit card services.

Codes of Conduct for Bank Relations with Small and Medium-Sized Businesses
Each bank develops and applies its own code to the business activities it conducts with small and medium-sized enterprise (SME) customers. Every code includes the key elements of the CBA Model Code of Conduct, the minimum standard for banks dealing with SMEs.

Principles of Consumer Protection for Electronic Commerce: A Canadian Framework
Intended to guide the actions of businesses, consumers and governments in Canada to develop a consumer protection framework for electronic commerce over open networks, including the Internet.

Public commitments

Credit Cards
Several financial institutions have made formal commitments to protect consumers from the unauthorized use of credit cards. These commitments outline consumers' liability for fraudulent transactions.

Guidelines for the Transfer of Registered Plans
Explanation of the maximum time that banks may require to process transfers of deposit-type registered plans.

Low-Cost Accounts
Eight Canadian financial institutions have undertaken to offer accounts that meet guidelines set out by the federal government since February 2001, with the aim of ensuring that Canadians have access to affordable banking services.

On-Line Payments
Commitment to applying the principles and provisions of the Canadian Code of Practice for Consumer Debit Card Services as they apply to on-line payments made from customer deposit accounts. Reflects consumer and industry responsibilities related to the use of on-line payment systems in Canada.

Plain-Language Mortgage Documents
Reflect the banks' commitment to improving the understandability of residential mortgage documents.

Undertaking on Right of Rescission of Index-linked Deposits Purchased by Telephone

For telephone purchasers of index-linked deposits who have not received the required written statement prior to purchase, seven Canadian financial institutions have committed to allowing the opportunity to rescind the purchase within 48 hours from the actual or deemed receipt of such a statement, whichever is earlier.

Undertaking on Unsolicited Services

Six Canadian financial institutions have committed to implementing procedures designed to protect consumers when offering unsolicited services.

Note: For definitions of the terms "code of conduct" and "public commitment," see Appendix A (Glossary).